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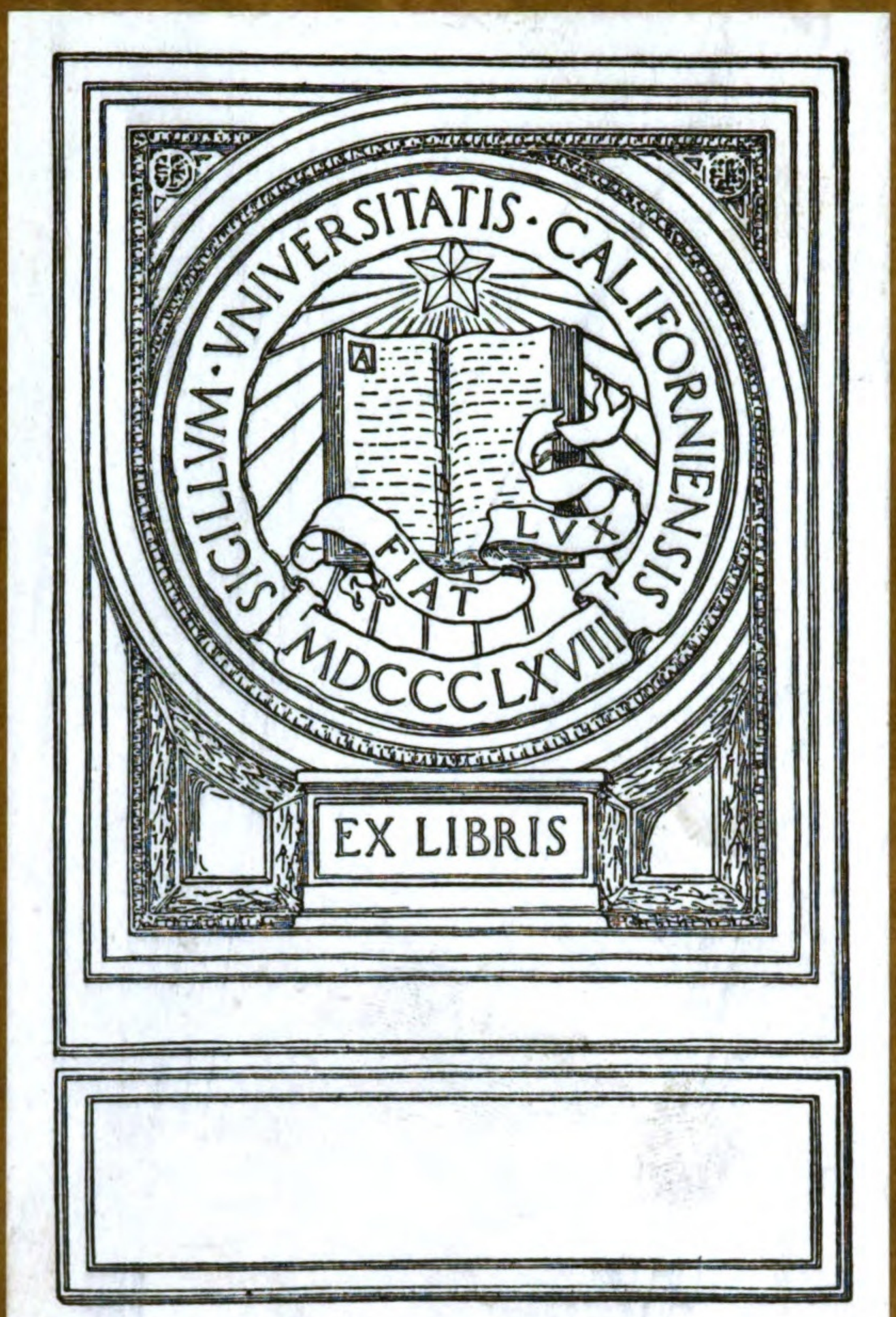

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THE MANCHURIAN QUESTION

by

SHUHSI HSÜ, PH. D.

Professor of Political Science, Yenching University

Published under the auspices of the
China Council of the Institute of Pacific Relations

PEKING, 1929

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PREFACE

The following pages are a short account of developments in Manchuria in the last three decades prepared for the information of the members of the Institute of Pacific Relations. The general reader is perhaps justified in expecting something about the prospect and possibilities of a solution.

So far as the Russian phase is concerned, no difficulty ought to baffle practical statesmanship. In her present condition Russia can do no more than deal with China on terms of equality. As long as she has admitted the commercial character of the Chinese Eastern Railway and part Chinese control over it, she cannot refuse to limit the power of the Manager of the Railway or cling longer to privileges to which she is not entitled. It would seem that China can safely forget her injuries and take up matters with Russia in a magnanimous way.

As for the Japanese phase, a similar Chinese attitude is not sufficient. If a solution is to be found at all, either China will have to become able to assert herself, or Japan will have to modify her policy voluntarily, assuming the world situation to remain constant.

Manchuria is more than a mere Chinese possession. It is the home of 27,000,000 Chinese who have their political destiny to work out and economic life to develop just like all other peoples. In addition it is a historic base of operation against the Chinese nation when fallen into the hands of an alien race, and the only outlet for the surplus population of the intra-mural northern provinces of China until the Chinese masses can be brought up to the level where they will know how to adjust their number to material circumstances without the aid of famine, diseases and fratricidal war. China cannot afford to share the control of Manchuria with any nation.

It is sometimes said that Japan's aim in Manchuria is economic. The Chinese people do not forget that existing in the present-days no

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nation can live unto itself. But they fail to understand why Japan needs to occupy Port Arthur and Talienwan beyond the original term of the lease, or to operate the South Manchurian and Antung-Mukden Railways after the expiration of the respective original grants, or to pursue some such policies in Manchuria as the insistance upon rights adversely acquired by means of the Twenty-one Demands, the extension of police control over Japanese subjects in the country, and the interference in internal political development. They are equally at a loss as to why, before the redemption of the railways by China, Japan has to maintain military guards along them, prohibit hostilities across the so-called railway zone in the suppression of revolt, reserve Manchuria against military operation in Chinese civil war, acquire control over existing Chinese lines, restrict Chinese freedom in railway development, project Japanese-financed lines against Chinese wishes, exercise municipal functions in important centres along the railways, exploit mines and industries beyond the need of the Railway Company and adopt a freight tariff favoring the port of Dairen and goods in which Japan is interested.

The gulf that separates China and Japan is wide. The task to bridge it is therefore Herculean. But let us not be discouraged. The Chinese people will not neglect to put China on her feet. They would also appeal to their liberal-minded Japanese friends to do their part by bringing about a change of heart in Japan.

SHUHSI HSÜ

Western Hills, Peking
The Double Tenth, 1929

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THE MANCHURIAN QUESTION

From the standpoint of the Chinese the Manchurian Question has two phases—the Russian and the Japanese.

In both phases the question has its inception in the Sino-Japanese War, takes shape in the Russo-Japanese War and assumes the present proportion in the aggressive policy consistently pursued by Japan and Russia in the following years up to the Washington Conference in the case of Japan and to the Russian Revolution in the case of Russia. The Russian phase has since been solved to some extent. The Japanese phase, on the other hand, has suddenly become acute after lying dormant for a period of some five years.

Chapter I

THE GENESIS

The Sino-Japanese War was fought on the question of Korea. But in the treaty of Shimonoseki which restored peace China was compelled to accept a number of conditions which have been curses to her ever since. Among these conditions was the cession of the Liaotung peninsula south of a line roughly speaking from the mouth of the Liao river to the mouth of the Yalu.

The Liaotung peninsula with the first class naval harbor of Port Arthur was such a strategic place that with its occupation Japan would be placed in a position to dominate North China including Manchuria and render the independence of Korea recognized by China in the peace treaty illusory. Such ambitious step did not fail to rouse the attention of Russia, the power that was a neighbor to both Manchuria and Korea and happened to be no less interested in the fate of Korea than Japan. The upshot was the joint intervention of Russia, France and Germany promoted by the first mentioned for the retrocession of the Liaotung peninsula for the consideration of 30,000,000 taels paid by China to Japan in addition to the heavy war indemnity of 200,000,000 taels already exacted from her.

In taking to intervention Russia acted but instinctively; and in so far as such a move on her part would have the salutary effect of checking Japanese ambition on the mainland to the interest of her own Far Eastern possessions and of her neighbors, she acted, one may say, in a statesmanlike manner. Unfortunately, this happy incident proved to be

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of short duration very much like the sane spell of an intoxicated person. It may be recalled that the present Amursk and Primorsk were but respective parts of Heilungkiang and Kirin before 1860. If Russia settled down as a decent neighbor in the following decades, it was because China had recovered from the Taiping Rebellion. It is, therefore, too much to expect that Russia would act otherwise than she did when she became aware of the change of circumstances.

The first Russian move back to her former position was the projection of the Trans-Siberian Railway across North Manchuria. It was broached to the Chinese government as a measure to facilitate Russian defence of Primorsk as well as Sino-Russian military cooperation in case Japan staged a come back. Being deeply obliged to Russia for her intervention China could not turn a deaf ear to her; but in meeting her neighbor's wish she did not fail on the one hand to render the measure as harmless to her sovereign rights as possible and on the other to convert Russian profession of mutual dependence into an act of coöperation. After taking precaution to insure that the basis was acceptable to the highest Russian authorities, which act involved a special embassy to Moscow, China signed a treaty in the month of April, 1896, to give the Russian wish effect.

According to the treaty the two powers pledged for a period of fifteen years to support each other in any aggression directed against either of them or Korea by Japan, and to conclude no peace with the adversary without the consent one of another. China, on her part, further engaged to open her ports to Russia during military operations, to give her consent for the construction of a railway across Manchuria, and to grant the free use of the railway for the transportation and provisioning of Russian troops in both peace and war. The question of the railway was dealt with by a contract signed by China with the Russo-Chinese, later Russo-Asiatic, Bank on September 8, 1896.

By the contract China became a shareholder in the Bank to the extent of 5,000,000 taels, and entrusted to it the construction and operation of a railway establishing direct communication between the city of Chita and the Russian South Ussuri Railway. To carry out the trust it was to establish a company under the name of the Chinese Eastern Railway Company with its seal given by the Chinese government, with its statutes made in conformity with the Russian usages in regard to railways, and with its President named by the Chinese government but paid by the Company. Shares of the Company were to be acquired only by Chinese or Russian subjects. The President was to

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see to the scrupulous fulfilment of the obligations of the Bank and of the Company towards China; to be responsible for their relations with the Chinese government and the central and local authorities; and to examine all accounts of the Chinese government with the Bank. The Company was to have the complete and exclusive right to operate the line for a term of eighty years, at the end of which the line, with all its appurtenances, was to pass free of charge to the Chinese government. The latter, however, was to have the right to repurchase the line at the expiration of thirty-six years. It was also to receive as consideration, when the line should be completed, a sum equivalent to the shares it held in the Bank. The repurchase was to be made on condition of repayment in full of all the capital involved, as well as all the debts contracted for the line, plus accrued interest. Deduction was to be made from the price of repurchase equal to the profit realized above the dividends allowed to the shareholders. According to a note addressed to the Chinese government by the President of the Bank on September 2, 1896, six days before the signing of the contract, in explanation of the provision concerning repayment of capital, debts and interest, the annually published reports of the accounts of the Company was to be taken as the basis.

Concerning the jurisdiction over the railway, its personnel and the land it traversed, as well as the use of land by the Company, on account of controversies relating to them in later years, perhaps it is advisable to have the relevant text* reproduced here:

Art. V: The said railway and its employees the Chinese government will take measures to protect. As to the personnel, Chinese and foreign, necessary for the operation of the railway, the said company is permitted to employ at will. All criminal cases, lawsuits etc., upon the lands of the railway shall be administered by the local authorities in accordance with treaties.

Art. VI: The land actually needed by the said company for the construction, operation, and protection of the railway as also the land in the vicinity of the line necessary for procuring sand, stone, lime, etc., if this land is state property, will be turned over by the Chinese government free of charge; and if it is private property, will be either paid for at one time or rented from the proprietors annually, both at current price. The said company shall itself provide funds for such purposes. The land belonging to the said company will all be exempt from land tax and will be managed exclusively by the said company which will be permitted to construct thereon buildings and works of various kinds as well as to set up telegraphs, under its own operation, for the exclusive use of the rail-

*As translated from the Chinese version.

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way. Except in regard to mines for which arrangement will be separately made, the income of the said company, such as the charges for transportation of passengers and merchandise and the receipts from telegrams, will all be exempt from tax or duty.

As to Russian troops and war materials "despatched in transit over the railway from Russia" it was provided that the Company was to carry them through directly "beyond the border" without for any pretext stopping on the way longer than necessary.

As revealed by the terms of the railway contract and alliance treaty the Chinese government of the day must be adjudged successful, for they not only liquidated China's obligations, but also secured fresh pledge of mutual support. Statesmanship, however, proved to be of no better avail in dealing with a power drunk with ambition than practical sense with an intoxicated person.

It was in the fall of 1897 that Germany resorted to the novel method of getting compensation for her part in the intervention by the seizure of Kiaochow Bay under the pretext of securing reparation for the murder of two Catholic missionaries by bandits. Only a year and a half had elapsed since Russia signed the alliance treaty with China. She was naturally expected to render her good offices to get China out of the difficulty or even merely to remain neutral. Instead she joined in the scramble for territory and concessions precipitated by the German act, and intensified the gravity of the situation by occupying Port Arthur and Talienwan with a request for an extension of the Chinese Eastern Railway from Harbin to connect them. This later claim was made on the ground of making sure of the use of the ports now that Kiaochou Bay had passed to Germany.

If China was constrained by Russian favor in the last occasion, she was limited by a practical situation in the present. Accepting the ground advanced by Russia at its face value she therefore granted practically what was asked of her.

In a convention signed on March 26, 1898 China agreed "to place at the disposal of the Russian government, on lease, the Ports Arthur and Talienwan, together with the water areas contiguous to these ports", for a term of twenty-five years, which might be prolonged subsequently by mutual consent. The purpose of the arrangement was declared to be "to insure that Russian naval forces shall possess an entirely secure base on the littoral of northern China", and it was asserted that the act "in no way violates the sovereign rights of His Majesty the Emperor

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of China" to the territory affected. In line with these declarations, Russia engaged not to invest the authority in charge of the lease with the title of governor or governor-general, and to share with China Port Arthur, an exclusively naval port, as well as the parts set aside in Talienwan for naval use. For the defence of the leased territory the convention further established a "neutral zone" north of the area leased.

— The details of the grant were embodied in the additional agreement of May 7, 1898. According to this the leased territory was extended to the north of Pitsuwo, and the neutral zone to the south of Kaiping. China was not willing to include Kinchou in the lease as it was the seat of one of the deputy military governors of Fengtien. As a compromise, the administration of police of that city was retained for China, Russia reserving however the right to send troops there in case of disturbance. China also objected to the provision in the convention of March 27th of a second branch railway "to another more convenient point on the littoral of the Liaotung peninsula between the town of In-tzu (Yingkou) and the estuary of the River Yalu". By common consent this grant was declared cancelled in exchange for the provision that railway privileges in districts traversed by the line to Port Arthur and Talienwan should not be given to the subjects of other powers, though "as regards the railway which China shall herself build hereafter from Shanhaikuan in extension to a point as near as possible to this branch line," Russia agreed that she had no connection whatsoever. On the other hand, Russia obtained from China the engagement not to grant any concession in the "neutral zone" or open any port on its coasts.

The question of the railway extension was dealt with by a supplementary contract with the Chinese Eastern Railway signed on July 6, 1898 in compliance with the terms of the previous contract. The extension was given the name the South Manchurian Branch. In order to facilitate the bringing in of materials and provisions needed in the construction of the line, the Company was permitted by the agreement to build temporary branch lines from that line to Yingkou and to ports in the "neutral zone". These lines were to be removed at the request of the Chinese government after the completion of the work, *i. e.*, "within eight years from the date of the survey and determination of the line and the appropriation of the land for its construction".

— With the foregoing moves Russia had come to acquire easy access to the Pacific Ocean through two ports, one on the Japan Sea and the other on the Yellow Sea, as well as practically a monopoly of Manchurian transportation. She could have stopped at that. By this

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time, however, her ambition had come to acquire such a momentum that self-restraint was evidently impossible. During the Boxer uprising her opportunity came for another move. As soon as trouble started in China she marched 150,000 troops across the border into Kirin and Heilungkiang in spite of the fact that there was no disturbance in these northern provinces. Later, when troops could be spared, she also effected the occupation of Fengtien from Port Arthur after disturbance there had disappeared with the capture of Peking by the Allies.

Through the correct attitude of the Chinese government outside the reactionary circle in Peking and of the majority of the Powers the Boxer trouble was localized and viewed in its true proportion. Under such circumstances it was difficult for Russia to carry out what must have been her intention—the annexation of Manchuria. Accordingly, she sought to acquire additional privileges in Manchuria in its stead, including the purchasing of the Chinese line then being built from Shanhaikuan to Mukden, as well as exclusive rights of economic exploitation in regions co-terminous with Russia along the northern and western Chinese frontiers.

China was in no better position to resist Russian demands than in 1898, but the international situation had changed considerably since that date. While Russia was bent upon further despoiling China, most of the Powers stood for the maintenance of the *status quo*. In consequence she had first to narrow the scope of her demands to Manchuria and eventually to agree to evacuation with practically no conditions.

According to the convention signed on April 8, 1902 to give effect to this Russia was to evacuate Manchuria in three periods of six months each—first, the southwestern portion of Fengtien up to the Liao; then, the remainder of that province and the whole of Kirin; and finally, the province of Heilungkiang. She was also to restore the extra-mural section of the Peking-Mukden Railway as the territory it traversed was evacuated. China engaged, on the other hand, in addition to other things, to negotiate with Russia, "should in the course of time extension of the line in South Manchuria or construction of branch lines in connection with it, or the erection of a bridge in Newchwang, or the moving of the terminus there, be undertaken."

Russia was, however, too much absorbed by her ambition to know how to escape from the defeat and humiliation that were awaiting her. She suddenly revived her conditions when the second stage of evacuation became due instead of fulfiling her pledges, and insisted upon them in

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some modified form in the following months in spite of her having sensed dangers.

It is difficult to conjecture what Japan would have done after she was chastised for overstepping herself in the annexation of the Liaotung peninsula, if Russia had remained loyal to her pledges. After what had taken place the development could take only one direction. When Russia occupied Port Arthur and Talienwan Japan conveniently obtained from her by a convention of April 25, 1898 an engagement not to obstruct the development of the commercial and industrial relations between Japan and Korea. Later, when Russia disclosed her hand after occupying Manchuria, Japan hastened to enter into an alliance with Great Britain. According to the agreement of January 30, 1902 "having in view . . . their special interests, of which those of Great Britain relate principally to China, while Japan, in addition to the interests which she possesses in China, is interested in a peculiar degree politically as well as commercially and industrially in Korea," the contracting parties "recognize that it will be admissible for either of them to take such measures as may be indispensable in order to safeguard those interests if threatened either by the aggressive action of any other powers, or by disturbances arising in China or Korea, and necessitating the intervention of either . . . for the protection of the lives and property of its subjects." If either, in doing so, should become involved in war with another power, the other . . . will maintain a strict neutrality, and use its efforts to prevent other powers from joining in hostilities against the ally" and, should another power or powers join in hostilities against the ally, "come to its assistance, conduct the war in common, and make peace in mutual agreement". Now that Russia showed herself to be unwilling or incapable to live up to pledges, Japan did not fail to invite her to enter into an "examination of the condition of affairs in the Extreme East where their interests meet with a view to a definition of their respective interests in those regions".

The result of the "examination" which lasted from August, 1903 to February of the following year was the Russo-Japanese War. As Russia had violated the spirit of the Sino-Russian Alliance China declared her neutrality. Referring to Manchuria which by the force of circumstances was about to serve as the field of military operations she said:

At such places in Manchuria as are not yet evacuated by the Powers (because of conditions growing out of the Boxer uprising) it would be difficult, as China's power cannot at present reach these places, to enforce the law of neutrality. Nevertheless, the sovereign rights and

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territory of the Eastern Three Provinces should still be restored to China, no matter which belligerent shall be victorious, and are not subject to the right of conquest.

The Russo-Japanese War was concluded by the Portsmouth treaty of September 5, 1905. By this treaty Russia agreed to let Japan have a free hand in Korea; ceded to Japan the southern part of the island of Sakhalin; obligated herself to grant to Japanese subjects certain fishing rights along the coast of the Russian Far East; and transferred and assigned to Japan, with the consent of China, the lease of Port Arthur and Talienwan and the railway south of Changchun. In addition the treaty contained the following provisions:

Art. III.—Japan and Russia mutually engage:

1. To evacuate completely and simultaneously Manchuria except the territory affected by the lease of the Liaotung Peninsula, in conformity with the provisions of additional Article I annexed to this Treaty; and

2. To restore entirely and completely to the exclusive administration of China all portions of Manchuria now in the occupation or under the control of the Japanese or Russian troops, with the exception of the territory above mentioned.

The Imperial Government of Russia declares that they have not in Manchuria any territorial advantages or preferential or exclusive concessions in impairment of Chinese sovereignty or inconsistent with the principle of equal opportunity.

Art. IV.—Japan and Russia reciprocally engage not to obstruct any general measures common to all countries, which China may take for the development of the commerce and industry of Manchuria.

The additional Article I annexed to the treaty referred to in Article III related to the evacuation of Manchuria which the two powers agreed to complete within eighteen months. It, however, contained the following provision:

The High Contracting Parties reserve to themselves the right to maintain guards to protect their respective railway lines in Manchuria. The number of such guards shall not exceed fifteen per kilometre and within that maximum number, the Commanders of the Japanese and Russian Armies shall, by common accord, fix the number of such guards to be employed, as small as possible having in view the actual requirements.

Following the Portsmouth treaty Japan approached China for her consent to the transfers made by Russia as well as for additional concessions, of which the most important was for a railway connecting Mukden with Korea at Antung over a temporary line laid during the

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war. China, having been unable to prevent the armed intervention, could not now refuse to let Japan reap the fruits of her labor. What she would like to have seen was the speedy withdrawal of the warring parties and the dawn of a day of peace in Manchuria. Accordingly, while raising strong objections to the reservation relating to railway guards made in Additional Article III of the treaty, she readily gave her consent to the transfers and granted the principal requests for additional concessions.

According to the treaty of Peking and additional agreement signed on December 22, 1905 China's consent to the transfers was made on the following condition:

Art. II.—The Government of Japan engages to earnestly observe the original agreements entered into between China and Russia respecting the lease and the construction of the railway, and to promptly consult and determine with the Government of China as matters come up in the future.

The concession for the Antung-Mukden Railway was made in Additional Article VI. The term for the concession was fifteen years, which, by counting from the end of three years allowed for the work of improvement and for delay due to service in transporting evacuated troops, was to end on "the forty-ninth year of Kuanghsu", i.e., 1923-24. At the expiration of the term the railway was to be sold to China at a price to be determined through the appraisement of all its property by an expert of a third nationality to be mutually chosen. Prior to such sale the transportation of Chinese troops and munitions of war was to be governed by rules laid down with the Chinese Eastern Railway. Regarding the manner in which the improvements of the railway were to be effected, the person undertaking the work for Japan was to consult with the officer especially appointed by China for the purpose. As to the affairs of the railway, "the government of China will appoint an officer to inspect and manage as is provided in the Chinese Eastern Railway contract".

Concerning China's objection to railway guards Japan only made a promise in Additional Article II that she would take similar steps with Russia "in the event of Russia's agreeing to the withdrawal of her railway guards, or in case other proper measures are agreed to between China and Russia", and that at any rate she would withdraw her railway guards "simultaneously with Russia," "when tranquility is restored in Manchuria and China is (thus) able to give full protection to the life and property of foreigners".

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Chapter II

CHINA ATTEMPTS SOLUTION.

It was not for the first time in the history of China that Manchuria formed a national problem. Any casual survey of the past reveals the fact that probably no other region, not even Monglia, has so much affected the destiny of the Chinese nation. From Manchuria came the Mujungs of the fourth century, the Chitans of the tenth, the Nuchens of the twelfth and the Manchus of the seventeenth. In the case of the Chitans the unification of China under the Sung dynasty was rendered incomplete. In the case of the Mujungs and Nuchens North China was actually conquered, while in that of the Manchus even a dynasty over the entire country was established.

That history has so developed is perhaps no surprise. There is no other region in the Far East as well adapted for the conquest of the great Chinese plain, for it alone combines material wealth with natural protection against external attack and propinquity to the object of acquisition. The region coming nearest to it in this respect is the province of Shensi which had served in the past as the cradle of great dynasties such as the Chou, the Tsin, the Han and the Tang. But in view of the vast hinterland of Manchuria and the difficult approach to it, Shensi is much inferior and in fact has been superseded for this reason ever since China ceased to be essentially a Yellow river state.

If such a strategic position had been populated by the Chinese like Shensi from the beginning, the problem would never have arisen. Unfortunately, until comparatively recent time the extra-Palisade country was in the hands of the Peiti nomads and Tungyi tribesmen who divided the flat country and the valleys of the Sungari and Amur between themselves. As may be expected, these northern barbarians lived in peace with the Chinese only when China was able to hold them in check. They were in the habit of first, descending upon South Manchuria and next, attempting the conquest of North China whenever Chinese power over them was weakened by civil war at home. The Mujungs, the Chitans, the Nuchens and the Manchus were the few who were comparatively successful in this natural process of development.

As early as the fourth century before Christ South Manchuria was colonized by the Chinese. But before another forward step could be

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taken in this region Chinese expansion, which had hitherto been radiating, had come to assume a purely southward direction on account of nomadic pressure from the north. In consequence it was not until the sixteenth century when South China itself sent out emigrants that population movement in North China began to turn towards the northeast again.

The Manchu dynasty was establised in China after the new start was made. If they had had the interest of the country in mind, they could have utilized that natural tendency to remove the source of a serious national problem once for all. Unfortunately, the Manchus were short-sighted. In order to keep Manchuria as a base for emergency they started instead to exclude Chinese from the extra-Palisade country where they had just begun to penetrate and deprive them of administrative powers in the intra-Palisade country where they had settled for centuries. And this was done after their experience with the Russians in the seventeenth century and much effort had been spent in the way of establishing military colonies at strategic points along the Amur and the Sungari to provide against future emergencies!

A natural tendency like the one the Manchus sought to check can be hindered but not destroyed. The Chinese colonists first turned from extra-Palisade Manchuria into extra-Palisade Mongolia and then from extra-Palisade Mongolia back into extra-Palisade Manchuria. It was in 1776 that the exclusion policy was adopted, but by 1870 western Kirin and the Mongolian territory bordering on Fengtien and Kirin were all colonized.

The short-sighted policy of the Manchus, however, did not fail to reap its fruit. During the Taiping Rebellion the Russians returned to Manchuria and found the country as empty as they left it one century and a half ago. In consequence they occupied all country beyond the Amur and the Ussuri.

After the Taiping Rebellion a number of constructive policies were adopted by the Chinese government. So far as these affected the nations as a whole, they were largely determined by the capable Chinese statesmen whom the Rebellion brought to the front. So far as they affected Manchuria alone, they were jeolously reserved by the Manchus for themselves. As may be expected, nothing fundamental was done to meet the situation in those provinces. Although they were no more unable to maintain the exclusion policy for Kirin, they still maintained it for Heilungkiang. As to Chinese administrative control, the same

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policy as handed down since the eighteenth century was strictly adhered to.

Then came the difficult days following the Sino-Japanese War which we have reviewed above. Unless the Manchu dynasty was prepared to let Manchuria go, there was evidently only one course open—the reversal of the old discredited policies and the assimilation of Manchuria to the rest of China. In consequence there appeared the memorable edict of April 20, 1907. The edict ordered the reconstruction of the Manchurian provinces, of which "the government was perfunctory and the people were suffering", to the end that "abuses might be eliminated and responsibility become determinable". It then reorganized the administration along the line of the intra-mural provinces. Finally, it appointed a set of capable Chinese governors to replace the ignorant Manchu Bannermen hitherto in control.

The new administration lost no time in carrying out its mission. It set out immediately to make plans for the development of the province of Heilungkiang which until the reorganization had been officially closed to colonization, as well as Kirin which was removed from the course followed by the immigrants and the Cherim country which was newly added to Manchuria.

It was evident that in order to meet the urgent need of the time recourse must be made to the assistance of railway. But then the existing lines not only were not in the control of China, but were also so far as the region to be developed were concerned of no avail. If the plans were to be carried out, it was necessary for China to go into railway construction.

In the year 1907 the Peking-Mukden Railway was just completed. According to the plans of the new administration it was to be used as the base line from which two extensions were to be constructed. One of these was to start from Hsinmin, an old landing stage on the Liao, and follow the highway which had developed from that place since the opening of Yingkou to as far as Chengchiatun, thence to Aigun on the Amur by way of Taonan, the centre of the Cherim prairie, and Tsitsihar, the capital of Heilungkiang. The other line was to run from Mukden to Hailung and thence to Yenchi on the Tumen along an abandoned postal road. Starting with one of the plans a contract was signed with a British firm for the section between Hsinmin and Fakumen, which consisted of the first leg to Chengchiatun.

Railway development by China in Manchuria was destined to have a chequered career from the very beginning. No sooner was survey

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being made on the projected section than Japan protested on the alleged ground that China had declared at the Peking Conference of 1905 that for the protection of the interests of the South Manchurian Railway she would not construct any trunk or branch lines parallel to it before the repurchase of that railway. Apart from the question of the correctness of the allegation, no breach of faith was intended by China. In a memorandum communicated in reply she stated that as the extension of the railway from Hsinmin was designed for the benefit of the existing line she had no desire to invite competition through paralleling the South Manchurian Railway, and that when the plan was being carried out, she would undoubtedly follow precedents of similar cases in Europe and America to the end that neither party would suffer through it. Japan not being satisfied, China again replied, this time dwelling extensively upon the charge. Addressed to the Japanese minister in Peking the note says in part:

Your Excellency refers to the minutes of the Sino-Japanese Conference, and declares that the Chinese government has disregarded her engagement and taken action prejudicial to the interest of the South Manchurian Railway. Probably your Excellency is not aware of the fact that at the time the plenipotentiaries of China maintained that the word "parallel" was too comprehensive and that it was necessary to give distance in miles, stating definitely that within so many miles no parallel line could be constructed. The Japanese plenipotentiaries, however, thought that if the number of miles were fixed, it might create the impression in other countries that there was an intention to restrict Chinese railway enterprise. The Chinese plenipotentiaries then asked that the number of miles between the parallel lines be fixed in accordance with the practice of Europe and America. The Japanese plenipotentiaries said the practice was not uniform and that no statement was necessary. And they added a declaration that Japan would do nothing to prevent China from any steps she might take in the future for the development of Manchuria. The declaration was made in all sincerity and with consideration for the interests of a friendly nation. This is what we both ought to observe.

The note further pointed out that, quite contrary to Japanese apprehension, the line, when opened, would tend to increase the traffic of the South Manchurian Railway, since commerce served by such a line would naturally take the route to Dairen, as Tientsin and Yingkou were ice-bound ports. Neither was Japan satisfied with the second reply.

China was anxious to have the plans carried out. Besides, she was sincerely not desirous of competition. As it was but a matter of a few decades before she could repurchase the South Manchurian

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Railway according to the contract, anything inimical to the Japanese line would eventually react in her own disfavor, not to mention the immediate harmful effect upon the projected line, which she was not in any position to stand.

In the meantime two new factors entered to influence Chinese decision. As it stood the surplus product of Manchuria found its outlet mainly through two ports, Yingkou and Dairen. Unfortunately, while Yingkou was ice-bound about 100 days in the year, Dairen was some 150 miles further removed from the heart of the country by rail. It was evident that if Manchurian development was to be seriously promoted, another port which was equally centrally located as Yingkou and just as free from ice as Dairen must be searched for. About the time under discussion the labor of China was rewarded in the discovery of such a port at Hulutao, a little south of Chinchou connected since with the Peking-Mukden Railway by a branch line of 7½ miles.

The other factor concerned a possible alternative route. While measures were being adopted in Mukden for the Cherim country, steps were also being taken in Peking to see if something could be done for the lands of the Chao Uda and Chosot'u Leagues. As the work proceeded, it became more and more evident that inasmuch as these three eastern Mongol leagues could not be separated geographically, they could be best developed together. This view crystalized out when a commission appointed by the Manchurian administration for the study of the Cherim country made its report, also about the time the question of the Hsinmin-Fakumen extension became a deadlock.

Under these circumstances China insisted no more upon her right in the case with Japan and proceeded to project the extension on a new basis. According to the plan the line was to start from Chinchou and travel northward to Taonan and beyond by way of Suitung on the border of the now Jehol province with a possible branch extending into the heart of Jehol by way of Chaoyang.

Under the new administration no subsidy from Peking was necessary in spite of an increase in activities, but as in every other province in China local revenues were never too sufficient for large constructive measures like the one under discussion. As to the central government conditions were no better. To be convinced one needs just to remember that the only source of revenue in the country that could by adjustment be made to bear measures of the kind contemplated was the Maritime Customs; but that this only source was not only restricted by treaty to a basis of five per cent *ad valorem*, but was further

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burdened with an indemnity to the Powers on account of the Boxer uprising that was calculated to absorb all the customs might yield for yet another thirty-three years above the service for loans previously contracted to pay Japan for being able to defeat China in war. Under the circumstances then existing the only way to carry out the Manchurian development plans was to appeal to some friendly power for assistance.

Of the powers the United States was the party to whom China readily turned. Ever since the effects of the Sino-Japanese War began to tell heavily upon China that power had shown itself not only friendly but actually helpful. In 1899 she was the one who committed the Powers to the reaffirmation of the principle of equality of opportunity. During the Boxer uprising she was the most emphatic in asserting the policy to preserve the territorial and administrative integrity of China. In the following years she consistently observed her voluntary pledge, besidesrendering China a friendly hand wherever necessary. She attempted to relieve China of the half of indemnity on account of the Boxer trouble which the Powers could spare. She helped to localize the Russo-Japanese conflict and eventually lent her good offices to shorten the struggle on a basis which, if faithfully carried out by the parties, would have ended the problem we are discussing from the very beginning.

At about the time the plans for the development of Manchuria were being devised, it transpired that through the aggressive intents, especially of Japan, what promised to be the realization of the policies enunciated in 1899 and 1900 threatened to turn out to be but the beginning of a new development of the same evils for the remedy of which those policies were originally adopted. To be faithful to the cause she had espoused the United States came out squarely on the question. In an informal way her spokesman reiterated her policies and declared that "the American-China trade is sufficiently great to require the government of the United States to take every legitimate measure to protect it against diminution or injury by the political preference of any of its competitors"; and that "the United States.....will encourage this great Chinese Empire to take long steps in administrative and governmental reforms, and in the development of her natural resources and the improvement of the welfare of her people" so that "she will add great strength to the position as a self-respecting government, may resist all possible foreign aggression seeking undue, exclusive and proprietary privileges in her territory, and without foreign aid can enforce an open door policy of equal opportunity to all". Following this she relinquished the unspent portion of the Boxer indemnity.

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With such a friendly attitude the United States was more than ready to meet Chinese approach. In the autumn of 1908 therefore she approved two loans and introduced China to the American bankers. One of these loans was specifically for Manchurian railway development and the other for industrial development, currency reform and other needs of the whole China, including Manchuria.

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Chapter III

CHINA'S EFFORTS FRUSTRATED

China's proposed plans for development are undoubtedly justifiable and pacific. A line running eastward from Mukden to the Tumen competes with no railway, Japanese or Russian; nor does the line running northward from Chinchou to the Amur. They ought not to have roused fear on the part of anybody.

Russia and Japan could have rested satisfied with what they had secured. Russia might as well have congratulated herself for being allowed to remain in North Manchuria with the Chinese Eastern Railway and a third of the South Manchurian extension in view of the way she had acted towards China. As to Japan, she too should have felt no grudge against anybody. It was through no merit of hers beyond the sending of a number of youths to the continent to slaughter others and be slaughtered themselves, that she had come to inherit the lease of Port Arthur and Talienwan and the concession of the South Manchuria Railway as well as to secure the additional concession of the Antung-Mukden Railway, let alone acquisitions outside of Manchuria such as the paramountcy over a neighboring kingdom and the cession of one half of the island of Sakhalin.

Yet in spite of these considerations the episode which the treaties of Portsmouth and Peking had closed was now to be repeated with perhaps no other variation than that it was Japan rather than Russia who was to play the chief part and that the enactment was to appear the more grosteque under new light.

One of the first moves along the old line, made in this case by Japan alone, was the attempt to tie a financial string to every railway enterprise east of the Liao that had not fallen into her hands. In the Peking Conference of 1905 Japan agreed to sell the light line she had laid between Mukden and Hsinmin in order that the Peking-Mukden Railway could be completed. In return China promised to borrow from Japan one-half of the necessary capital for the section east of the Liao on terms similar to those of the loan agreement for the Peking-Mukden Railway, as well as to borrow from Japan for the Kirin-Changchun Railway, which China was about to build, on the same terms, in case foreign capital was necessary. In 1907 when China approached Japan

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for the transfer of the Hsinmin-Mukden section Japan changed her mind and put up the price, consisting of the actual borrowing of one-half of the capital of the Kirin-Changchun Railway with a promise to borrow from her in case foreign capital for the construction of an extension or a branch was necessary. In order to remove the last obstacle to the completion of the Peking-Mukden Railway China readily accepted the terms and signed a convention embodying them on April 15, 1907.

Another of the first moves, made in this case by both Japan and Russia, was the extension of government over the settlements that had grown up in the meantime along the railways. The question came up first with Russia when the latter tried to organize municipal governments in the larger centres along the Chinese Eastern Railway.

In the controversy that followed Russia based her claims on two grounds. One was that the right of government, as alleged, was granted to the railway by Article VI of the contract. The other was that since China had acquiesed in the establishment of similar governments in foreign settlements in treaty ports, she could not on the basis of equal treatment deny the privilege to the Russians on the lands of the railway.

The first Russian ground was, of course, not valid, for the lands for which "exclusive management" was granted in Article VI of the contract referred only to that on which the company was permitted "to construct buildings and works of various kinds as well as to set up telegraph, under its own operation, for the exclusive use of the railway." In no sense could the provision be interpreted to apply to large settlements like those that had grown up along the railway. The second ground on the other hand appeared plausible. But as the system was fundamentally not compatible with Chinese sovereign rights, China was to decide herself whether she would permit its extension to the railways. However, the plausibility of the argument eventually inclined her to a compromise. By a preliminary agreement signed on May 10, 1909 she granted the privilege to organize the governments to the railway on certain conditions.*

As provided in the agreement all residents without differentiation between the Chinese population and that of other nationalities were to enjoy the same rights and be subjected to the same obligations, including the right to vote with certain qualifications, and the right to be president of the assembly of delegates, the president of the assembly being *ex officio* president of the executive committee. The municipal bodies were to submit all decisions arrived at by the assemblies to the President of

*The agreement, however, was never faithfully carried out by Russia.

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the Bureau of Foreign Affairs at Harbin and the General Manager of the Railway for their joint approval, these to have a suspensive veto power, and to refer important questions having reference to the public interest or the finances of the municipalities for the consideration and approval of the Chinese President of the Company conjointly with the head office of the railway administration. In case the President of the Bureau of Foreign Affairs and the General Manager of the Railway disagreed on decisions submitted for their joint approval, the Chinese and foreign residents were each to choose one representative and the two officials jointly another, with no distinction of nationality, to form a committee of five with the two officials to settle the difficulty on the basis of common agreement. In addition, the Chinese chamber of commerce at Harbin was to have the right to nominate three members, and each of those at Hailar and Manchuli to nominate two to the executive committee of the respective towns to participate in its affairs upon the same footing with the other members of the committee. As to detailed regulations in regard to the municipalities and police, as well as the scale of taxation, they were to be determined on the basis of the general arrangement.

With the settlement of the case with Russia there was little necessity for China to raise the question with Japan. On the other hand it seems that the latter also avoided giving an occasion to China by entrusting police administration to the Kwangtung Government and the other phases of municipal government to the railway administration instead of organizing any formal municipal bodies. Thus the matter stands.

Of the two powers Japan was however not ready to stop at moves on which compromise could be found, even nominal. While the foregoing questions were under discussion Japan had made several other moves which, as will be seen, eventually exposed her motives to the world. One of these was the seizure of the privately owned Chinese coal mines in the Fushun and Yentai fields. Another was the despatch of troops across the Tumen river. Still another was the extension of the system of the South Manchurian Railway to the Antung-Mukden Railway in the matters of police and military control.

China was prepared to meet Japan half way in these cases as in the previous cases. The despatch of troops across the Tumen was made upon two alleged grounds, one being that the status of the left bank of the Tumen, which Japan christened "Chientao", was not determined, and the other that the Korean settlers there were subject to attacks from bandits and therefore needed her protection. It soon became clear that neither

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of the grounds had a good basis. Yet China went so far as to offer the opening of some ports in the region in question in which Japan could station consuls to protect the Koreans to her heart's content. As to the seizure of private property at Fushun and Yentai and the extension of police and military control to the Antung-Mukden Raillway, since there was no basis for even a compromise however nominal. China strongly refused to give them consideration.

As transpired later these moves were but preliminary steps of a larger scheme for the extension of Japanese control over Manchuria. There is, therefore, no wonder that Japan set about to achieve her end in some way. It was about this time that the concert which eventually brought Germany to her knees was taking its inception in the rapprochement between Great Britian on the one part and France and Russia on the other. Being an ally of Great Britain Japan was not slow to take advantage of the situation. She first entered into an agreement with France on June 10, 1907, by which they——

having a special interest in having order and a specific state of things guaranteed, especially in the regions of the Chinese Empire adjacent to the territories where they have the rights of sovereignty, protection or occupation, engage to support each other for assuring the peace and security in those regions, with a view to maintaining the respective situation and the territorial rights of the two Contracting Parties in the Continent of Asia.

Next she turned to Russia and secured from her two agreements on July 30, 1907, one open and one secret. By the open agreement they pledged to respect each "the actual territorial integrity" of the other, and "all the rights accruing to one and the other party from the treaties, conventions and contracts in force between them and China" from the Portsmouth treaty "as well as from the special conventions concluded between Japan and Russia"; and to sustain and defend the maintenance of the *status quo* . . . by all pacific means within their reach." By the secret agreement they recognized their mutual interests, namely, Japan in Korea and Russia in Mongolia, and further more a line of demarcation was drawn across Manchuria dividing it into two mutually exclusive spheres of influence.

Having reached an understanding with Russia and France Japan also attempted to involve the United States. By an exchange of notes On October 30, 1908, known popularly as the Root-Takahira agreement, they pledged besides other matters to maintain the *status quo* in the region of the "Pacific Ocean" and to respect each other's territorial possessions therein.

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While the diplomatic blockade was being established by Japan, China also began to weaken from within, for it was in the fall of 1908 that the incompetent Regency which eventually brought an end to the Manchu dynasty was inaugurated. Under these circumstances it required only an occasion for Japan to strike. On August 6, 1909 she resorted to "independent action" in the construction of the Antung-Mukden Railway on the alleged ground of procrastination on the part of local Chinese authorities. The complacent Regency suddenly woke up to the danger and, awe-striken, readily surrendered. On September 4th it accepted two agreements with Japan. In one of these China engaged for the withdrawal of Japanese troops to open Lungchingtsun, Chutzuchia, and Paitsaokau to the residence and trade of Korean subjects, as heretofore, on agricultural lands lying north of the Tumen within certain limits. Concerning these Korean subjects, China was to exercise jurisdiction over them, but Japan was to have the right to be represented at all court proceedings, to receive previous notice before the hearing of important cases, and to apply for new trial in decisions not properly rendered. Furthermore, she was to undertake to extend the Kirin-Changchun Railway to the southern boundary of Yenchi opposite to Hueining, on the Korean side, upon the same terms as the Kirin-Changchun Railway, and upon consultation with Japan as to the date to commence work.

In the other agreement China recognized unconditionally the right of Japan to work the seized Fuchun and Yentai mines besides making a number of other concessions. As to the extension of police and military protection to the Antung-Mukden Railway, nothing was said. China, evidently, was made to aquiesce in what had been or might yet be done.

Having thus securely entrenched herself in South Manchuria and opened a new line of attack in the eastern part of the country, Japan attempted to nullify all Chinese constructive efforts.

In the meantime a strong sentiment had grown up against Japan abroad with the revelation of her motives in Manchuria, and the United States who had hitherto confined her assistance to China to the lending of good offices, now resorted to what may be described as friendly intervention. A preliminary agreement for the financing, construction and operation of the Chinchou-Aigun Railway having been signed by China with American and British interests on October 2, 1909, the United States submitted the following proposal to Great Britain on November 6th and China, Japan, Russia, Germany and France on December 15th:

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First, perhaps, the most effective way to preserve the undisturbed enjoyment by China of all political rights in Manchuria and to promote the development of those Provinces under a practical application of the policy of the open door and equal commercial opportunity, would be to bring the Manchurian highways, the railroads, under an economic, scientific, and impartial administration by some plan vesting in China the ownership of the railroads through funds furnished for that purpose by the interested powers willing to participate. . .

Second, should this suggestion not be found feasible in its entirety, then the desired end would be approximated, if not attained, by Great Britain and the United States diplomatically supporting the Chinchou-Aigun arrangement and inviting the interested powers friendly to complete commercial neutralization of Manchuria to participate in the financing and construction of that line and of such additional lines as future commercial development may demand, and at the same time to supply funds for the purchase by China of such of the existing lines as might be offered for inclusion in this system.

In making the proposal the United States must have anticipated some measure of Japanese opposition. On the other hand, she was evidently under the wrong impression that Great Britain and Russia would be favorable. For this she undoubtedly had certain good grounds, for Russia was actually contemplating the sale of the Chinese Eastern Railway, while Great Britain had an interest in the Chinchou-Aigun scheme. But she failed to realize that Great Britain was an ally of Japan, while Russia in her state of mind at that time could be easily influenced to take one course or another like a stranger standing at the cross road. As might have been expected, Great Britain stood aside and Japan and Russia came forward hand in hand to oppose the American proposal. In notes dated December 21st Japan and Russia jointly replied. Both maintained that nothing appeared to have threatened either China's sovereign rights or the Open Door policy in Manchuria and that therefore there was no reason for them to entertain the proposal. Both maintained further that "the substitution of an international in place of a national regime" would not be satisfactory from a financial standpoint, and that therefore the proposal was not worth entertaining. With these general observations the two governments then went on each to give its specific objections. With regard to the main scheme Russia said:

The development of Manchuria and the exploitation of its natural resources are not the only purposes pursued by the Chinese Eastern

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Railway. The latter is of a public interest of the first order to Russia. It constitutes the principal line of communication between the Russian possessions in the Far East and the rest of the Empire; it is also the great artery by which these possessions are supplied with Russian merchandise. In this way the line is but an integral part of the great Trans-Siberian Railway, which is used by almost all of western Europe in its relations with the Far East. It is this consideration that decided the Russian Government to guarantee, at very considerable expense, the capital invested in the construction of the Chinese Eastern Railway and to cover the deficit resulting from its operation. It can not, therefore, be a matter of indifference to the Imperial Government whether it is an international organ that administers a line of such importance, or, on the contrary, a Russian stock company which is obliged not to fix the rates and conditions of transportation of merchandise by the Chinese Eastern Railway without the consent of the Russian Government, and which, by the nature of the concession obtained, is closely connected with the interests of the nation.

As to the alternate scheme, Russia said:

The Imperial Government consider itself obliged to declare that it regards the project of construction of the Chinchou-Tsitsihar-Aigun Railway as being of capital importance to Russia. Its accomplishment will open up a new route giving access from the south not only to the Chinese Eastern Railway, but directly to Russian possessions at Aigun. This shows adequately the strategic and political importance of the enterprise. Moreover, the construction of this line will essentially modify the conditions under which Eastern Mongolia and the north of Manchuria are served by the Chinese Eastern Railway. Now, the Imperial Government cannot realize the consequences of this proposition and decide on the attitude which it ought to assume in regard thereto unless it is informed of the basis on which it reposes. For these reasons the Imperial Government, while being willing in principle to take this question under consideration, hopes that it will be enabled to know the basis of the proposition in due time in order that it may, after a thorough examination, reach a final attitude with regard to the proposition itself as well as to participation therein.

Russia then went further and declared that the same applied in any future project concerning a financial participation in the construction of railways in Manchuria.

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Japan, on the other hand, did not seem to be so favored by the condition of things as to be able to put forth arguments of the same force, false as they might be. Against the chief scheme she said:

The most serious objection to the proposal in question lies in the fact that it contemplates a very important departure from the terms of the treaty of Portsmouth. That treaty was designed to establish in Manchuria a permanent order of things, and the Imperial Government firmly believed that in a strict and loyal adhesion to its provisions are to be found the highest guarantees of enduring peace and repose in this part of the world and of the orderly advancement of Manchuria. Not the least difficult of the many difficult and important problems that were definitely solved at the Portsmouth conference was the question of railways. That adjustment subsequently received the deliberate confirmation of the Chinese government in the treaty of Peking, and the railway operations now carried on in southern Manchuria are consistent with the original concessions which were with equal deliberation granted by the same power.

When Japan came to the alternate plan she did not seem to have even an argument to advance, and she contented herself with the following words:

The observation which I [the foreign minister] have now the honor to present to your Excellency and which I venture to hope may prove as convincing to your Excellency's Government as they are convincing to my own, have reference to the plan in its widest sense, but they are, I should add, no less applicable to the scheme in its more restricted form, since the two plans are in principle the same and differ only in degree.

And these were then qualified by the following:

In conclusion, I wish to express to your Excellency the sincere appreciation of my Government for the courteous intimation of the United States concerning the projected Chinchou-Aigun line, and to say that in principle the Imperial Government will be prepared to participate in the enterprise with the other powers interested in the question. But as that question is clearly distinguishable from the main subject of your Excellency's note, I will, with your permission, reserve this minor point for separate and independent attention when the necessary details regarding the matter are known.

The United States of course still held out hope for putting through the Chinchou-Aigun scheme which, unlike the neutralization scheme, was less dependent upon the wishes of Japan and Russia. But nothing re-

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sulted from the ensuing diplomatic correspondence of half a year. Instead she saw on July 4, 1910, the American Independence Day, the signing of an agreement between Japan and Russia. By this the two powers, in order "to develop the results of the convention of July 17, 1907" agree:

(1) "to lend each other their friendly coöperation with a view to the improvement of their respective lines of railway in Manchuria, and to the perfecting of the connecting service of the said railways, and to refrain from all competition unfavorable to the attainment of this result:

(2) "to maintain and to respect the *status quo* in Manchuria as it results from all the treaties, conventions, or other arrangements hitherto concluded, either between Russia and Japan, or between these two powers and China", which arrangements they had exchanged; and

(3) "in case any event of such a nature as to menace the above-mentioned *status quo* should be brought about", "to enter into communication with each other, for the purpose of agreeing upon the measures that they may judge it necessary to take for the maintenance of the said *status quo*".

Since then the world has discovered a secret counterpart affirming mainly the secret arrangement of 1907.

Undiscouraged by the failure of the neutralization scheme the United States still attempted to promote a four-power financial consortium to undertake Chinese loans, in particular the other loan that was approved in 1908.

According to the final agreement signed on April 15, 1911, the part of the loan that was to be devoted to Manchurian industrial development was to be a first charge partly on the duties on tobacco and spirits and production and consumption taxes of Manchuria, and partly on the surtax on salt newly added, all of which, it was declared, were free from other charges. In case these revenues were insufficient, the balance was to be made up first from Manchuria, and then, if necessary, from other sources. The loan was to run for forty-five years with an option on the part of the Chinese government to redeem the outstanding amount from the eleventh year on. If additional funds from foreign sources were needed "to continue or complete the operations contemplated under this agreement" or if foreign capitalists were to be invited to "participate with Chinese interests" in these operations, the signatory banks were to be given the option.

In the agreement there was also a provision requiring the Chinese government to hand to the banks a statement showing the expenditure of the loan. The statements so handed showed the expenditure, so far

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as Manchurian industrial development was concerned, to be for (a) the promotion of immigration, reclamation, and pastoral enterprise; (b) forestry and other agricultural enterprise in Heilungkiang; (c) gold mining at Moho, Kuangyinshan, and Sansin, and other mining enterprises; and (d) branch mints.

Encouraged by the success in opposing the "neutralization" scheme Japan and Russia were not slow to come forward to see what they could do with this. As the loan was not coupled with some forward proposal, the two powers could not in any way openly oppose it. Accordingly, they changed their tactics and asked for participation; and when this was accepted by the United States, came forward and inquired whether such would place them in a position superior to an ordinary bondholder. In a *note verbal* addressed to France but communicated to the United States for information on July 11th Japan declared:

Japan possesses in the region of southern Manchuria special rights and interests, and while she is fully prepared in the future as in the past to respect the rights of others, she is unable to view with indifference measures which tend not only to menace these special rights and interests but to place her subjects and institutions at a disadvantage as compared with the subjects and institutions of any other country.

Shortly after this the Revolution of 1911 broke out and the loan project as well as all Manchurian reconstructive activities were suspended.

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Chapter IV

JAPAN MAKES FURTHER INCURSIONS

By the year 1911 Japan not only had firmly established herself in South Manchuria, but had also opened two new lines of attack, one in eastern Manchuria and the other in Eastern Inner Mongolia. She was, therefore, ready to make some forward moves which would instal her in the position she now occupies. In this she was extremely fortunate, for in the next seven or eight years on account of the Chinese Revolution and the European War every occasion was an opportunity to her.*

The first opportunity was the change in American policy relating to China. In order to rehabilitate her finance after the Revolution China appealed to the financial consortium for a reorganization loan. At this point Japan and Russia effected their entrance into the organization. In the negotiation of the loan that followed the consortium insisted upon conditions which "touched very nearly the administrative independence of China". In consequence, at the instance of their government, the American financial interests withdrew from participation. Thereupon Japan obtained a release from the consortium with regard to industrial and railway loans as distinguished from administrative loans, and approached China for the construction of a number of railways culculated to render the Chinchou-Aigun project unpractical. The Republic was then anxious to secure recognition from the Powers, including Japan. On October 5, 1912 it was reported that it agreed to contract for a loan from Japanese capitalists in the terms of the Pukow-Sinyang Railway loan agreement for the construction of railways (a) from Ssupingkai *via* Chengchiatun to Taonan, (b) from Kaiyuan to Hailung, and (c) from the Changchun station of the Kirin-Changchun Railway across the South Manchurian Railway to Taonan; that she agreed further to apply to Japanese capitalists first in case foreign capital was necessary for the construction of railways (a) from Taonan to Jehol and (b) from Hailung to Kirin.

As might be expected, Russia followed suit. On March 27, 1916 China had to enter into an agreement with the Russo-Asiatic Bank for

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* **Russia was by no means innocent during this period. On the contrary, she actively intervened in the Outer Mongolian and Hulunbuir secession.**

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a loan of 50,000,000 rubles for the construction of a railway from Harbin to Heiho opposite to Blagovchensk by way of Mergen with a branch line connecting Mergen with Tsitsihar, with a view to connect it with the Chinese Eastern Railway *via* the short line in existence between Tsitsihar and the latter railway.

The next opportunity came in 1915. At the outbreak of the European War Japan forcibly occupied the German leased territory of Kiaochou and the Shantung Railway. After all hostilities in the Far East had ceased with the elimination of German influence in that region China requested Japan to withdraw her troops. On this occasion Japan presented the notorious Twenty-one Demands.

As is familiar to students of Far Eastern history these demands were designed to subject the entire China to control, but in doing this Japan took good care to have Manchuria in her secure hold first. The group relating to that region as presented was as follows:

The Japanese Government and the Chinese Government, since the Chinese Government has always acknowledged the special position enjoyed by Japan in South Manchuria and Eastern Inner Mongolia, agree to the following articles:

Article 1. The two Contracting Parties mutually agree that the term of lease of Port Arthur and Dalny and the term of lease of the South Manchurian Railway and the Antung-Mukden Railway shall be extended to the period of 99 years.

Article 2. Japanese subjects in South Manchuria and Eastern Inner Mongolia shall have the right to lease or own land required either for erecting suitable buildings for trade and manufacture or for farming.

Article 3. Japanese subjects shall be free to reside and travel in South Manchuria and Eastern Inner Mongolia and to engage in business and in manufacture of any kind whatsoever.

Article 4. The Chinese Government agrees to grant to Japanese subjects the right of opening the mines in South Manchuria and Eastern Inner Mongolia. As regards what mines are to be opened, they shall be decided upon jointly.

Article 5. The Chinese Government agrees that in respect of the (two) cases mentioned herein below the Japanese Government's consent shall be first obtained before action is taken:

(a) Whenever permission is granted to the subject of a third Power to build a railway or to make a loan with a third Power for the purpose of building a railway in South Manchuria and Eastern Inner Mongolia.

(b) Whenever a loan is to be made with a third Power pledging the local taxes of South Manchuria and Eastern Inner Monglia as security.

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Article 6. The Chinese Government agrees that if the Chinese Government employs political, financial, or military advisers or instructors in South Manchuria or Eastern Inner Mongolia, the Japanese Government shall first be consulted.

Article 7. The Chinese Government agrees that the control and management of the Kirin-Changchun Railway shall be handed over to the Japanese Government for a term of 99 years dating from the signing of this agreement.

The Central Government, then under the control of Yuan Shih-kai, was about to initiate a monarchical movement. Either because it sincerely believed in the impracticability of resisting Japan under the existing domestic and international circumstances, or because it was anxious to avoid prejudicing the success of its plans by foreign complications, it started to negotiate on the basis of the demands, hoping only to mitigate their severity. It contended as to Articles I and III that Eastern Inner Mongolia could not be considered in the same light as South Manchuria, as the former, it asserted, was not "an enlightened region as yet" and the conditions existing there were entirely different from those prevailing in the latter; and that inland residence for Japanese, even in South Manchuria, was "incompatible with the treaties China has entered into with Japan and other Powers". But for all that, it was constrained to make certain concessions. It proposed to open commercial marts in Eastern Inner Mongolia in lieu of what was demanded with respect to that section of country. It accepted in principle the demand for the right of residence in South Manchuria, but suggested that settlers should be under Chinese jurisdiction. Japan declined to accept these counter-proposals. Thereupon the Yuan government reconsidered and revised them "five or six times, each time making some definite concession", and finally went so far as to concede that all civll and criminal cases between Chinese and Japanase be arranged according to existing treaties, with only cases relating to land or lease contracts reserved to Chinese courts "as a mark of China's sovereignty over the region".

In the revised set of twenty-four demands which Japan presented on April 26th, she changed the term "special position" in the preamble of the group into "economic relations", and took out the questions relating to Eastern Inner Mongolia and made them into four separate demands, of which the last was as follows:

In the event of Japan and China desiring jointly to undertake agricultural enterprises and industries incidental thereto, the Chinese Government shall give its permission.

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As to their position regarding the question of jurisdiction arising out of inland residence no change was made.

In replying to the revised demands the Yuan government made further concessions on the question of jurisdiction arising out of inland residence in the following counter-proposal:

The Japanese subjects referred to in the preceding two articles besides being required to register with the local authorities passports, which they must procure under the existing regulations, shall also observe police rules and regulations, and pay taxes in the same manner as Chinese. Civil and criminal cases shall be tried and adjudicated by the authorities of the defendant's nationality and an officer can be deputed to attend the proceedings. But all cases purely between Japanese subjects, and mixed cases between Japanese and Chinese, relating to land or disputes arising from lease contracts, shall be tried and adjudicated by Chinese Authorities, and the Japanese Consul may also depute an officer to attend the proceedings. When the judicial system in the said Province is completely reformed, all the civil and criminal cases concerning Japanese subjects shall be tried entirely by Chinese law courts.

Of the four new articles relating to Eastern Inner Mongolia two had been agreed to by the Yuan government as part of Article V of the original demands, while a third embodied its proposal to open trade marts in place of granting the right of inland residence, and to these three it readily acceded. As to the last, it felt that it contained exactly what it at the first instance rejected, and it declined as before to give consideration to it.

Japan, however, refused to entertain these and other counter proposals and delivered an ultimatum to compel acceptance of all. In a note accompanying the ultimatum, there was the following explanation concerning the group relating to South Manchuria and Eastern Inner Mongolia:

Article 2 of Group II relating to the lease or purchase of land, the terms "lease" and "purchase" may be replaced by these terms, "temporary lease" and "perpetual lease" or "lease on consultations", which means a long-term lease with its conditional renewal.

Article 4 of Group II relating to the approval of laws and ordinances and local taxes by the Japanese Consul may form the subject of a secret agreement.

The phrase "to consult with the Japanese Government" in connection with questions of pleding the local taxes for raising loans and the loans for construction of railways in Eastern Inner Mongolia, which is similar to the agreement on Manchuria relating to the matters of the same kind, may be replaced by the phrase "to consult with the Japanese capitalists".

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The Article relating to the opening of trade marts in Eastern Inner Mongolia in respect to location and regulations, may, following the precedents set in Shantung, be the subject of an exchange of notes.

As signed on the 25th, the treaty relating to South Manchuria and Eastern Inner Mongolia was as follows:

With a view to developing their economic relations in South Manchuria and Eastern Inner Mongolia:

Article 1. The two High Contracting Parties agree that the term of lease of Port Arthur and Dalny and the terms of the South Manchurian Railway and the Antung-Mukden Railway, shall be extended to 99 years.

Article 2. Japanese subjects in South Manchuria may, by negotiation, lease land necessary for erecting suitable buildings for trade and manufacture or for prosecuting agricultural enterprises.

Article 3. Japanese subjects shall be free to reside and travel in South Manchuria and to engage in business and manufacture of any kind whatsoever.

Article 4. In the event of Japanese and Chinese desiring jointly to undertake agricultural enterprises and industries incidental thereto, the Chinese Government may give its permission.

Article 5. The Japanese subjects referred to in the preceding three articles, besides being required to register with the local Authorities passports, which they must procure under existing regulations, shall also submit to the police laws and ordinances and taxation of China.

Civil and criminal cases in which the defendants are Japanese shall be tried and adjudicated by the Japanese Consul; those in which the defendants are Chinese shall be tried and adjudicated by Chinese Authorities. In either case an officer may be deputed to the court to attend the proceedings. But mixed civil cases between Chinese and Japanese relating to land shall be tried and adjudicated by delegates of both nations conjointly in accordance with Chinese law and local usage.

When, in future, the judicial system in the said region is completely reformed, all civil and criminal cases concerning Japanese subjectes shall be tried and adjudicated entirely by the Chinese law courts.

Article 6. The Chinese Government agrees, in the interest of trade and for the residence of foreigners, to open by China herself, as soon as possible, certain suitable places in Eastern Inner Mongolia as Commercial Ports.

Article 7. The Chinese Government agrees speedily to make a fundamental revision of the Kirin-Changchun Railway Loan-Agreement, taking as a standard the provisions in railway agreements made heretofore between China and foreign financiers.

When in future more advantageous terms than those in existing railway loan agreements are granted to foreign financiers in connection

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with railway loans, the above agreement shall again be revised in accordance with Japan's wishes.

Article 8. All existing treaties between China and Japan relating to Manchuria shall, except where otherwise provided for by this Treaty, remain in force.

The notes exchanged as the treaty was signed were seven in number. Of these, four appeared to relate to the provisions of the treaty itself, and three with independent subjects concerning the same localities which formed the subject of the treaty. One of the first four notes stated, with reference to Article I of the treaty, that the term of the lease of Port Arthur and Talienwan was to expire in 1997; that the dates for restoring the South Manchurian and Antung-Mukden Railways were to be set at 2002 and 2007 respectively; and that the provision in Article XXI of the original agreement relating to the South Manchurian Railway that that railway might be redeemed by China after thirty-six years from the day traffic was opened, was cancelled. A second stated that the term "lease by negotiation" contained in Article II of the treaty was to be understood to imply a long term lease of not more than thirty years and with the possibility of its unconditional renewal. A third stated that the Chinese authorities would notify the Japanese consul of police laws and ordinances and the taxation to which Japanese subjects were to submit according to Article V "so as to come to an understanding with them before their enforcement". The last stated that, on the selection of places to be opened as provided in Article VI and the drawing up of regulations therefor, decision would be made by the Chinese government "after consulting the Minister of Japan".

In one of the last three notes China granted the privilege of mining in nine localities in South Manchuria, six being in Fengtien and three in Kirin. In another she declared that "hereafter, if foreign advisers or instructors on political, financial, military, or police matters are to be employed in South Manchuria, Japanese may be employed first". In the last note there was the following declaration:

> China will hereafter provide funds for building necessary railways in South Manchuria and Eastern Inner Mongolia; if foreign capital is required China may negotiate for a loan with Japanese capitalists first; and further, the Chinese Government, when making a loan in future on the security of the taxes in the above-mentioned places (excluding the salt and customs revenue which have already been pledged by the Chinese Central Government) may negotiate for it with Japanese capitalists first.

As in 1910, Japan now moved to strengthen her newly acquired position by an understanding with Russia. On July 3, 1916 the two

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powers entered into a new secret agreement under the cover of an open one. In this open agreement they merely engaged, "for the maintenance of permanent peace in the Far East", to abstain mutually from becoming party to any "arrangement or political combination" directed against each other and to confer in regard to the measures to be taken "with a view to the support or cooperation" to be given each other in order to "safeguard and defend" "the territorial rights or the special interests" of either party in the Far East in case these "should be menaced". In the secret agreement their object was not so much for the maintenance of "permanent peace in the Far East" as for strengthening "the firm friendship between them established through the secret agreements of July 17-30, 1907, June 21-July 4, 1910, and June 25-July 1. 1912". And for this "firm friendship" they mutually obligated themselves "in the future at all times", when circumstances demanded to enter "with open-hearted dealings, based on complete trust, in order to take necessary measures with the object of "preventing the possibility of occurrence" of "the political domination" over China "of any third power whatsoever, having hostile designs against Russia and Japan", and to come to each other's aid in the event of war declared by any third power on either in consequence of measures taken by mutual consent, and not to conclude peace with the common enemy without the consent of its ally. This secret agreement was to continue in force until July 1/14, 1921 one day beyond the Anglo-Japanese alliance, and, in case neither party denounced it one year before the end of the term, still to continue in force in the same manner as the last mentioned alliance, *i.e.*, indefinitely for a period of one year after one of the parties should have denounced it.

As if an alliance with Russia was not enough Japan also sought to commit the United States on the question. By an exchange of notes published on November 2, 1917, known popularly as the Lansing-Ishii agreement, "the Governments of the United States and Japan recognize that territorial propinquity creates special relations between countries, and consequently, the Government of the United States recognizes that Japan has special interests in China, particularly in the part to which her possessions are contiguous".

As soon as the monarchical movement of 1915-16 was started, Japan saw her third opportunity and moved again. This time the measure she adopted was assistance to the opposition in the country. The best known instance is perhaps the financing of and giving facilities to the retired Manchu officials at Dairen to assemble 2,000 Manchurian

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bandits in that port and to equip 5,000 Mongolian bandits in the desert for a joint descent upon Fengtien.

After the cessation of the monarchical movement the Manchus at Dairen gave up their attempts; but the Mongolian bandits as originally planned marched upon Taonan. In spite of their number and foreign equipment they were however held at bay by the government troops as soon as they entered Manchurian territory. At this juncture Japan came forward to inform the commander in charge that no hostility would be permitted near the South Manchurian Railway. Soon afterwards a fracas followed in a regimental headquarters of the government troops at Chengchiatun between some Chinese soldiers and Japanese soldiers, resulting in four Chinese and twelve Japanese killed and some others wounded. Thereupon Japan reinforced her troops between Chengchiatun and Ssupingkai. Before Japan the government troops could not but retire, and the bandits headed for Kuochiatien on the South Manchurian Railway.

The bandits being safely on the Company's lands Japan requested the local authorities to let them depart unmolested. In the meantime she permitted them to be reinforced by 800 Manchurian bandits from Dairen. Under these circumstances the local authorities issued order for immediate attack, the Japanese being duly notified. In the ensuing battle some of the Japanese troops who were "guarding the railway zone" were injured and a Japanese flag hit by a stray bullet. Japan therefore concentrated her troops at Chaoyangpo "to prevent a recurrence". Meanwhile Kirin troops attacked the bandits from the rear and threatened to envelope them. At this juncture Japan again came forward to request ceasation of hostilities, undertaking at the same time to disarm the Manchurian bandits and see the Mongolian bandits out of Fengtien.

Japan was evidently not satisfied with fulfilling her moral obligations to the bandits. On September 2nd she submitted a memorandum to China containing three demands and four desiderata. The first two of the demands concerned punishment of those who had taken direct part in the fracas and of their superior officers as well as the issuance of a proclamation against "provoking the Japanese forces, or soldiers, or other Japanese subjects, by either word or act". The last two of the desiderata concerned apology to be given by the military governor of Fengtien and compensation for the Japanese sufferers. The remaining demand was as follows:

To agree that the Japanese Government may, with a view to the protection and government of the Japanese subjects in South Manchuria

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and Eastern Inner Mongolia, send Japanese police officers to function at those places where considered to be necessary; also to let the Chinese officials in South Manchuria employ more Japanese to serve as police advisers.

The remaining desiderata were as follows:

(a) Every Chinese army headquarters stationed in South Manchuria and Eastern Inner Mongolia to employ a certain number of Japanese military officers as advisers.

(b) Chinese military cadet schools to employ a certain number of Japanese military officers as instructors.

China deemed it inexpedient to examine into the merits of the case, and proceeded to discuss the memorandum. While ready to agree in principle to other questions, the government found itself unable to make concessions on the three points given textually above.

The Chinese stand having failed to satisfy Japan, especially as regarded the question of police, Japan handed to China on January 5, 1917 three *notes verbales*. In the one relating to the question of police she attempted to justify the Japanese position on the ground that the right claimed therewith was but "a corollary of the right of extra-territoriality", and declared that, in order to give adequate protection to and establish effective control over the increasing number of Japanese subjects in South Manchuria and Eastern Inner Mongolia in consequence of the operation of the treaty of 1915, Japan would be "constrained to carry it into effect in case of necessity" notwithstanding the lack of concurrence on the part of China.

In her reply China pointed out that protection and control of the increasing number of Japanese subjects in South Manchuria had been provided for in Article V of the said treaty, in which it was stipulated that Japanese subjects in those localities were to submit to Chinese police law and ordinance. As to the right of stationing police officers in that region as a corollary to extraterritoriality she said that "ever since the conclusion of extraterritoriality treaties between China and the foreign powers for several decades no such claim has ever been heard", not to say that in view of the provision of the above-mentioned article there was no such necessity. She finally requested Japan to abandon the matter. Meanwhile the cause of the case became well known to the public and Japan did not deem it expedient to press the police matter any further.

Shortly after the foregoing exchange of correspondence Japan's fourth opportunity came in the civil war of 1917-18 between the Chinese national legislature and the Anfu Club. On this occasion, as in the

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monarchical movement, the Japanese took sides with one of the hostile camps, but, whereas they had sided with the opposition on the former occasion, now they sided with the government, and instead of financing and equipping bandits they financed and equipped the Anfu government. The following is a table of loans and advances thus made that are charged upon Manchuria:

1917-18	*Alleged Purposes*	*Million Yen*
Oct. 12	Loan for the Kirin-Changchun Railway.....	6½
June 18	Advance upon loan for the Kirin-Hueining Railway	10
Aug. 2	Loan for gold mining and forestry in Heilungkiang and Kirin	30
Sept. 28	Advance upon loan for railways in Manchuria and Mongolia.....	20
	Total	66½

Of the foregoing the so-called loan for the Kirin-Changchun Railway was alleged to be made in accordance with Article VII of the treaty of 1915 relative to South Manchuria and Eastern Inner Mongolia. Its amount was $6, 500, 000 *yen*; its terms thirty years; and its security, the property and receipts of the Kirin-Changchun Railway. The rights of administration of the line were vested in China which would have a chief of the administration (Chu-chang), who would exercise supervisory powers over all the affairs of the railway, but the actual administration was to be entrusted to the South Manchurian Railway Company during the term of the loan. If in the future China should require foreign capital to construct branch lines or extensions, priority was to be given to that company. As to the rights of police administration, jurisdiction, and taxation on the railway and on the land used by the railway, they were "naturally vested in the [Chinese] government".

The so-called advance upon loan for the Kirin-Hueining Railway, $10, 000, 000 *yen* in amount, was made, "without any deduction for commission" upon the conclusion of a preliminary agreement for a loan alleged to be "for the purpose of constructing the railway from Kirin to Hueining", the formal agreement to be concluded within six months. The term of the loan was to be forty years, redemption to begin from the eleventh year from the date of issue; and its security was the property owned by and the revenue due to the railway "either at present or in the future". When the construction of the railway should take place, China was to build the railway bridge over

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the Tumen river "conjointly with the Railway Department of the Office of the Japanese Governor-General of Korea", and was to share half of the expense. As regards particulars not provided for in the preliminary agreement, they were to be decided in accordance with the Tientsin-Pukow Railway loan agreement of January 13, 1908.

The so-called loan for gold mining and forestry in Heilungkiang and Kirin was alleged to be made "for the development of gold mining and forestry in Heilungkiang and Kirin". Its amount was 30,000,000 *yen* "to be delivered without discount"; its term ten years, with a provision for extension by mutual consent at its expiration, and an option on the part of China to repay a portion of it after the lapse of five years; and its security the gold mines, national forests, and China's revenue therefrom. During the period of operation of the agreement the lenders were to have the right of being first consulted in case further loans were to be made in respect to objects of the securities or disposal contemplated thereof, but the agreement was subject to cancellation as a result of the repayment of principal and interest.

The so-called advance upon loan for construction of railways in Manchuria and Mongolia, 20,000,000 *yen* in amount, was made "without reduction for commission", upon the conclusion of a preliminary agreement for a loan alleged to be "for the purpose of building" a railway between Jehol and Taonan, a railway between Changchun and Taonan, a railway between Kirin and Kaiyuan by way of Hailung, and "a railway from a point on the Jehol-Taonan Railway to a certain seaport" to be decided upon by consultation between China and the banks, formal agreement to be concluded within four months. The term of the loan was to be forty years, redemption to begin "after eleven years" from the date of issue, and its security "all the property and revenue of the Four Railways of Manchuria and Mongolia, at present and in the future".

The fifth and last of the opportunities came in 1918 when the intervention in Siberia was being mooted by the Allies. With a financial string tied around the Anfu government, it did not take Japan much ingenuity to secure an agreement for Sino-Japanese military coöperation which at the last analysis meant nothing but permission to her to occupy North Manchuria. Fortunately, on account of a series of events, especially the fruition of the allied intervention and the termination of the European War, nothing serious resulted from this attempt.

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As in the monarchical movement of 1916-16 Japan however did not wish to leave empty-handed. In the beginning of October on the occasion of an attack upon the Japanese at Hungchun by Korean revolutionaries issued from Russian territory, she occupied eastern Kirin and started a campaign to clear Korean settlements on the Tumen of elements opposed to her politically, in which attempt, according to the appeal of the Catholics to the Pope, more than one thousand dwellings, twenty-one chapels, and seven schools were burnt and about twenty-one hundred Korean Catholics besides several hundred Chinese were killed. At the same time Japan publicly accused China, alleging failure to end Korean revolutionary activities in the settlements as well as participation of Chinese troops in the attack upon the Japanese at Hungchun. Against the acts of Japan China protested. But in the meantime Japan had done everything to her heart's content and as she was not able to prove her allegation regarding Chinese troops at Hungchun, she slackened her grip and withdrew after establishing police agencies in the principal cities in the occupied region.

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Chapter V

JAPAN CALLED TO HALT. 1905

In pursuing her aggressive policies with reference to Manchuria during the years which elapsed between the Peking and Versailles Conferences Japan must be adjudged successful. This was undoubtedly due to the fact that of the two powers that might have been a hindrance Great Britain had to humor her on account of more serious menace nearer home, while the United States was hardly in a position to ignore her wishes with the kind of preparedness she had before the European War. Japanese fortune however, soon ran its cycle. American participation in the War and the elimination of Germany as an important factor in world politics soon followed one after another, and she was no more as free as before. 1913

The preliminary step towards checking Japanese ambition with reference to Manchuria is seen in the promotion of a new financial consortium to undertake Chinese loans on the resort by Japan to the Nishihara Loans. As usual Japan measured up to the occasion. No sooner was the consortium proposed than she hastened on the one hand to complete her loan policy by inducing the Anfu Club to enter into the several contracts that were most deadly in their effects, and on the other to come forward to see if she could not in the first instance secure a legal recognition of her position thus far acquired, and failing this to render the proposed measure entirely innocuous.

The American proposal having been accepted by the three powers, on May 12, 1919 the bankers met at Paris and drew up an agreement. Article II of this agreement read in part as follows:

This agreement relates to existing and future loan agreements which involve the issue for subscription by the public of loans to the Chinese Government . . . but does not relate to agreements for loans to be floated in China. Existing agreement relating to industrial undertakings upon which it can be shown that substantial progress has been made may be omitted from the scope of this agreement.

In addition to the agreement the bankers also passed a number of resolutions of which No. 2 is as follows:

(a) That in addition to future business all existing loan agreements and options which involve the issue for subscription by the public of loans be pooled, with the exception of agreements and options relating

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to industrial undertakings (including railways) upon which substantial progress has been made;

(b) That the groups will surrender to the consortium any such agreements and options which they themselves possess or control;

(c) That the groups will use their best endeavors to induce other parties who may possess or control any such agreements or options to surrender the same to the consortium.

Upon the agreement being concluded Japan made her move. On June 18, 1919 the representative of the Japanese group wrote to his American colleague that he had instructions from his principals in Japan that all the rights and options held by Japan "in the regions of Manchuria and Mongolia, where Japan had special interests", should be excluded from the arrangements for pooling provided for in the proposed agreement. The reason he went on to give was that the very special relations "which Japan enjoys geographically, and historically" with the regions referred to, had been recognized by Great Britain, the United States, and Russia on many occassions—pointing specially to the Lansing-Ishii agreement—and had formed the subject of a special reservation made by the Japanese bankers on June 18, 1912 when discussing the agreement for the Reorganisation loan with the bankers of the other five groups. On June 23rd, after consulting with his British and French colleagues, the American representative replied. He denied that the "special interests" refered to ever had anything to do with economic matters. He drew the attention of the Japanese bankers to the fact that the reservation they made on June 18, 1912 was not accepted by she British, French, and American groups on the ground that they were not competent to deal with political questions. He stated that he and his British and French colleagues would refer the matter to their respective governments.

The matter having been taken up by the United States and Great Britain with Japan, the latter submitted a memorandum at the end of August accepting the terms as agreed upon among the bankers at Paris, with the reservation that such acceptance "shall not be held or construed to operate to the prejudice of the special rights and interests possessed by Japan in South Manchuria and Eastern Inner Mongolia".

On October 28th the United States replied that she reluctantly found herself unable to assent to the Japanese proviso on the ground that it was "an intermixture of exclusive political pretensions in a project which all the other interested governments and groups treated in a liberal and self-denying spirit and with the purpose of eliminating, so

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far as possible, such disturbing and complicating political motives"; and that from the viewpoint either of the legitimate national feeling of China or of the interest of the Powers in China "it would be a calamity if the adoption of the consortium were to carry with it the recognition of a doctrine of spheres of interest more advanced and far-reaching than was ever applied to Chinese territory even in the period when the break-up of the Empire appeared imminent." She then went on to point out that the wording of the agreement plainly excluded those enterprises which were already developed "such as the South Manchurian and Ssupingkai-Chengchiatun Railways, the Fushun collieries, et cetera", and "might fairly be interpreted" to exclude likewise the existing option for the extension of railways already in operation "for instance the proposed continuation of the Ssupingkai-Chengchiatun Railway to Taonan and to Hueining of the Kirin-Changchun Railway". In conclusion she observed that Japan should be amply content with the understanding that certain specific enterprises were exempt.

On March 2nd Japan submitted another memorandum to the United States. She defended her claims on the ground that the regions in question, "being contiguous to Korea" stood in "very close and special relation to Japan's national defence and her economic existence". She justified its insistence upon the reservation by pointing to the "direful influences" of the Russian Revolution which, it declared, might effect their penetration through those regions "into Japan and the Far East to the instant menace of their security". She finally proposed a new reservation for acceptance of the terms as agreed upon among the bankers at Paris. The new reservation runs as follows:

> In matters. . .relating to loans affecting South Manchuria and Eastern Inner Mongolia which in their opinion are calculated to create a serious impediment to the security of the economic life and national defence of Japan, the Japanese government reserves the right to take the necessary steps to guarantee such security.

In line with the American specification of exempt enterprises Japan also supplied a list of enterprises which she claimed to fall into that category. These were: (1) the "South Manchurian Railway and its branches, together with the mines which are subsidiary to the Railway"; (2) The Kirin-Changchun, Hsinmin-Mukden, and Ssupingkai-Chengchiatun Railways; and (3) the Kirin-Hueining, Chengchiatun-Taonan, Changchun-Taonan, Kaiyuan-Kirin, and Taonan-Jehol Railways, and "the railway connecting a point in the Taonanfu-Jehol Railway with a seaport". She intimated, however, that in case of any loan being

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floated in the future in connection with the railways of the third category the European and American market would be invited to subscribe to it.

On March 16th the United States replied. She regretted that the Japanese reservation was "in terms so exceedingly ambiguous and in character so irrevocable" that it might be held to indicate a continued desire on the part of Japan to exclude the Powers from participating in the development of important parts of China. She maintained that the right of national self-preservation was one of universal acceptance in the relations between states, and therefore would not require specific formulation as to its application in any particular instance; that "the recognition of that principle is implicit in the terms of the notes exchanged between Secretary Lansing and Viscount Ishii on November 2, 1917"; and that by reason of "the particular relationships of understanding thus existing between the United States and Japan, and those which, it is understood, similarly exist between Japan and the other powers proposed to be associated with it in the consortium, there would appear to be no occasion to apprehend on the part of the consortium any activities directed against the economic life or national defence of Japan". She observed that it was difficult to believe that "in order to meet the necessities of Japanese economic or political security" it was essential for Japan alone to construct and control a railway line of such a character as the one projected from Taonan to Jehol and thence to the seacoast.

In the meantime the representative of the American bankers had proceeded to Tokyo to effect an agreement with the Japanese bankers on the specific enterprises to be exempt from the operation of the consortium. On April 3rd, while he was there, Japan submitted another memorandum to the United States. She expressed her satisfaction that it was "not so much to the principle of their [Japanese] proposal as to its form" that the United States took exception. She noted the assurance of the United States that the right of national self-preservation, "which forms the basis of the guarantee required by Japan" was not only one of universal acceptance, but one of which "the recognition is implied in the terms of the notes" referred to above, "so that the new consortium would in no case embark upon any activities directed against the national defence and the economic existence of Japan, and so that the powers associated in the consortium would refuse their countenance to any enterprise inimical to the vital interests of Japan". Then "relying upon that assurance of the United States", she accepted "most willingly" the suggestion of the United States to forego the general reservation and to

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include the Taonan-Jehol Railway and "the line connecting a point thereon with a seaport" in the operation of the consortium. The latter, however, was made on the following condition:

In the event of the new Consortium projecting in future a scheme of extending the Taonanfu-Jehol Railway to the north with a view to connection with the Eastern Chinese Railway, the assent of the Japanese government thereto must be obtained beforehand through the Japanese group, inasmuch as such an extension being tantamount to a renewal of the so-called Chinchou-Aigun Railway scheme against which a protest was lodged by Japan when the question was motioned some years ago, is calculated to have a serious effect upon the South Manchurian Railway.

By this time the representative of the American bankers had reached an agreement with the Japanese bankers embodying substantially what might be gathered from the correspondence thus far reviewed. On April 3rd, the United States replied to the Japanese memorandum of March 2nd. She signified her readiness to agree to the terms of the compromise proposed by the representative of the American bankers, and objected to the veto power Japan sought to retain with respect to the Chinchou-Aigun Railway project, on the ground that the granting of such power would be "contrary to the principles upon which the idea of the consortium is based". On May 8th Japan submitted another memorandum "explaining" that the point concerning the Taonan-Jehol Railway was just raised as "one of the actual examples of enterprises prejudicial to Japan's vital interests which formed the subject matter of the general assurances given by the American Government". She, however, was prepared to waive an explicit assurance concerning it.

It may be added that as revealed by the correspondence which Japan carried on with Great Britain simultaneously, British views concerning Japanese claims in Mahchuria were practically identical with the American.

The real check given to Japanese ambition with reference to Manchuria, however, is to be seen in the Washington Conference, which was originally proposed for the discussion of the limitation of naval armament, but at the suggestion of the United States undertook also to consider the Pacific and Far Eastern problems.

In this occasion as in the former Japan was cautious. The change in the world situation by this time was, however, so definite that it would be futile to utilize the opportunity to commit the Powers to her claims. In consequence she confined herself to attempting to set a limit to the discussion in the Conference. It appeared that she first asked for a fuller statement of the nature and scope of the Pacific and Far Eastern problems which were to be discussed, and when the United

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States expressed the hope that she would not press for the statement. Japan accepted the proposal with the understanding that the main object of discussing those problems was "to reach a common understanding in regard to principles and policies in the Pacific and the Far East", and that "introduction therein of problems such as are of sole concern to certain particular powers or much matters that may be regarded as accomplished facts should be scrupulously avoided".

In the Conference the various problems of Manchuria were one by one discussed in due course of time. That concerning Japanese armed forces including troops, railway guards and police was the first to come up. According to a memorandum submitted by the Chinese delegation Japanese armed forces in Manchuria consisted of the following: (a) one full division of garrison with its headguarters in various important localities such as Liaoyang, Tiehling, Harbin, Kungchuling, and Haicheng, besides the leased territory of Port Arthur and Talienwan; (b) sixteen independent battalions of guards along the Chinese Eastern Railway, each composed of 21 officers and 617 men besides (c) the troops then withdrawn from Siberia; and (d) those still maintained in the districts around Hungchun. In addition there were (f) a number since then established, as results of the Chengchiatun fracas and the Hungchun affair in these respective localities.

In reply to the Chinese statement the Japanese delegation declared that the maintenance of guards along the South Manchurian Railway was "conceded and recognized by China under the treaty of Peking, 1905, additional agreement Article II"—a right which Japan could not forego in view of the existing state of affairs in Manchuria, "a region which has been made notorious by the activity of mounted bandits"; that the Japanese troops scattered along the Chinese Eastern Railway were stationed "in connection with an interallied agreement concluded at Vladivostok in 1919" and for establishing communication between the Japanese contingents in Siberia and South Manchuria, but would be withdrawn as soon as the evacuation of Siberia by the Japanese troops was effected; that the stationing of Japanese police in the interior, especially in Manchuria, had proved to be of much practical usefulness in the prevention of crimes among Japanese residents "without interfering with the daily life of Chinese or of other foreign nationals".

In a latter meeting the Chinese delegation made their statement in reply. Referring to the Japanese guards along the South Manchurian Railway they reviewed Article I of the treaty of Peking, 1905, Articles

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III and IV of the Portsmouth treaty which the former article confirmed, and Additional Article II of the treaty of Peking, and said that, while Russia had withdrawn her railway guards from Manchuria as provided in these treaties, Japan had retained hers; that if Japan, in spite of China's request, continued to maintained the guards on the ground of the alleged existing state of banditry, China might never have an opportunity to show her capacity of affording protection to lives and property of foreigners; and that the mere presence of Japanese guards made for friction with the natives and roused rather than allayed disorder throughout the adjacent territory.

Referring to Japanese armed forces along the Chinese Eastern Railway the Chinese delegation only observed that the objects and purposes of the inter-allied agreement had long since disappeared and all allied forces other than the Japanese had long since withdrawn; and that the necessity for maintaining forces along the Chinese Eastern Railway to establish communication between the Japanese contingents in Siberia and South Manchuria was no argument.

As to Japanese police in Manchuria, the Chinese delegation said that the reasons advanced by the Japanese delegation had never been regarded in international law and practice as sufficient to justify the institution of police administration in a foreign friendly country; and that the statement that the Japanese police did not interfere with the daily life of Chinese was not correct.

After the statement was made the Chairman observed that, as all Japanese statements amounted to the offer to withraw her railway guards when China accorded adequate protection of life and property, while those of China amounted to the offer of protection with a request for the immediate withdrawal of the railway guards, the question was whether China was able to so provide the protection. As to this question which involved facts, he suggested the formation of a subcommittee to study and made recommendations. The Chinese delegation agreed, and suggested that the matter of police might as well be left for discussion in the subcommittee.

In another meeting the Japanese delegation again made a statement. Referring to the Japanese guards along the South Manchuria Railway, they said that the withdrawal of Russian guards from Manchuria referred to by the Chinese delegation was ~~the condition o~~f things created by the existing anomalous situation in Russia, and did not prove that Russia definitely agreed to the withdrawal of her guards contemplated by Additional Article II of the treaty of Peking. In addition they

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observed that the same article contained the proviso, "when tranquility shall have been reëstablished in Manchuria and when China shall have become herself capable of affording full protection to the lives and property of foreigners", as condition precedent to Japan's withdrawal of guards, and submitted a list giving statistics of lawless conditions along the South Manchurian Railway to prove that tranquility had not yet been reëstablished. Finally they declared, as a reply to the Chinese contention that China should be given an opportunity to prove her ability to maintain peace and order, that Japanese interests and Japanese security were matters of such importance that she could not afford to take "obvious risks."

As to troops along the Chinese Eastern Railway, they merely repeated what they had said on the last occasion without, however, mentioning anything about the maintenance of communication between Japanese contingents in Siberia and South Manchuria as a justification. As to police, they were altogether silent.

According to the list given, the statistics of lawless conditions along the South Manchurian Railway, cases of attacks by bandits "within the South Manchurian Railway zone", beyond the leased territory, increased from 9 in 1906 to 57 in 1911, 99 in 1917, and 183 in 1920; cases of Japanese injured by bandits while travelling in South Manchuria "within the railway zone" increased from 7 in 1913 to 19 in 1917, and 32 in 1920, and "outside the railway zone" increased from 13 in 1913 to 49 in 1917, but decreased from 49 in 1917 to 24 in 1920; and the number of criminals arrested by Japanese authorities and handed over to Chinese authorities totalled 23,595.

Although the Chinese delegation reserved their right to reply, none was made after all on accunt, it seems, of the fact that the question was practically crowded out by more important issues of the Conference. If the reply had been made, the Japanese argument would have been more than refuted. Additional Article II of the treaty of Peking to which the Japanese delegation referred records a declaration on the part of Japan made as a result of Chinese protest. The right of China to demand the withdrawal of Japanese guards would seem to remain the same as before irrespective of fulfilment of conditions Japan set for herself. As to the question of tranquility, the Japanese ground is equally untenable. The term tranquility evidently refers to the ordinary post-bellum restoration to a normal state of affairs, not to an ideal condition of things resulted from enlightened rule. It would be most unreasonable to insist that such tranquility had not reigned after the war had termin-

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ated for some fiftəen years. It is difficult to see why the Japanese delegation attempted to show the lawless conditions along the South Manchurian Railway. If this helped anything at all, it proved that China should be given an early opportunity to remedy a situation which had gone from bad to worse year by year.

The subcommittee to which the question of foreign armed forces stationed in China without authority was referred as a whole, reported back with a recommendation that the diplomatic representatives in Peking of the powers in the Conference be instructed whenever China should so request, to conduct collectively in association with Chinese representatives an inquiry into China's ability to provide protection to foreign lives in her territory and to make a report setting forth their findings of fact and their opinion; and that the Powers were then severally to make public the report with such comment as each might deem appropriate, but were free to accept or reject all or any of the finding of fact and opinion expressed.

On the recommendation's being accepted by the Conference the Chinese delegation read a statement which in part says:

It is the understanding of the Chinese Delegation that accepted international law recognizes the basic right of every sovereign State to refuse its consent to the sending into or the stationing within its borders of foreign armed forces, and that while it may, by an exercise of its own will, consent that an inquiry shall be made as to the necessity in fact of the continuance within its borders of such foreign armed forces as may be therein, such action upon its part or a resolution by other Powers offering their coöperation in such an inquiry, is not to be deemed in derogation or limitation of the inherent right of a sovereign State to refuse entrance to, or further continuance within, its borders of foreign armed forces.

The question of Port Arthur and Talienwan came up next. The Chinese delegation proposed that all leases in China be annulled and that, pending such action, fortifications in leased areas be dismantled, on the ground that "the sole purpose of maintaining the balance of power in the Far East" among the Powers concerning China had ceased to exist; that the existence of the leases prejudiced China's territorial and administrative integrity and hampered her national defence; that they had more than once involved China in the complication of the Powers themselves; and that they were utilized as *points d'appui* for developing spheres of influence to the detriment of the principle of equal opportunity.

The Japanese delegation in reply made the following declaration:

As to that territory (Port Arthur and Talienwan), the Japanese delegates desire to make it clear that Japan has no intention at present

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of relinquishing the important rights she has lawfully acquired and at no small sacrifice. The territory in question forms a part of Manchuria—a region where, by reason of its close propinquity to Japan's territory more than anything else, she has vital interests in that which relates to her economic life and national safety. This fact was recognized and assurance was given by the American, British, and French governments at the time of the formation of the international consortium, that these vital interests of Japan in the region in question shall be safeguarded.

In the leased territory of Kwantung Province there reside no less than 65,000 Japanese, and the commercial and industrial interests they have established there are of such importance and magnitude to Japan that they are regarded as an essential part of her economic life.

When their turn came for reply the Chinese delegation made the following statement:

As to the leased territory of Kwantung Province, namely, Port Arthur and Dalny, its original term will expire in 1923, and while an extension to ninety-nine years was obtained by Japan in 1915, it was obtained in such circumstances that the dispute about its validity remains one of the most grave outstanding questions between China and Japan.

Both Port Arthur and Dalny are situated in Manchuria, which is an important part of Chinese territory. Not only does the national safety of China depend upon the safe-guarding of Manchuria as an integral portion of the Chinese Republic, because these three eastern provinces, as Chinese people call Manchuria, have been the historic road of invasion into China throughout the past centuries, but also the security of the economic life of the Chinese people depends in a very vital measure upon the conservation and development with the surplus capital of the world of the natural and agricultural resources in Manchuria—a region where today an abundance of raw material and food supplies are already accessible to all nations, on fair terms and through the normal operation of the economic law of supply and demand. Moreover, Manchuria is an important outlet for the suprlus population from the congested provinces in other parts of China.

In view of the foregoing facts, it is clear that China has such truly vital interests in Manchuria that the interests of any foreign power therein, however important they may be to themselves, can not compare with them. The fact of close propinquity of Manchuria to Korea, if it justifies any claim to consideration, can be equitably appealed to only on the condition of reciprocity.

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As to the statement that assurance was given by the American, British, and French Governments at the time of the formation of the international consortium, that the vital interests of Japan in Manchuria shall be safeguarded, the Chinese delegation do not feel in a position, since China was not consulted at the time, to express an opinion as to the question of its accuracy. Should such assurance have been given, they would not, however, conceal their feeling that it can not be reconciled with the principle which was adopted by the conference on November 21st with respect to the sovereignty, the independence and territorial and administrative integrity of China.

The question of the treaties and notes of May 25, 1915, growing out of the Twenty-one Demands was the last to come up. The Chinese delegation proposed that the Powers make a joint disavowal of all claims to any spheres of influence in China. They declared that those spheres (a) hampered the economic development of China, (b) were contrary to the policy of equal opportunity, and (c) furthered political ends, under cover of economic claims, of particular powers, threatening the political integrity of China and giving rise to international jealousy and friction. They submitted a list of agreements which, they asserted, formed the basis of the spheres and asked to be relieved from their restrictive stipulations. This list consisted of (a) the Sino-Japanese treaties and notes of May 25, 1915, (b) fourteen interpower agreements, (c) commitments and agreements which appeared to have been alleged to create or recognize the existence of spheres of interests and (d) non-alienation agreements.

Taking up first the treaties and notes of 1915 the Chinese delegation reviewed the history leading to them, pointed out their vital effects upon the "very existence, independence and integrity of China" and urged that in the common interest of the Powers as well as of China, and in conformity with the principles relating to China then already adopted by the committee, these treaties and notes be considered and cancelled. At this point the Japanese delegation signified its unwillingness to have the question discussed in the Conference. While reserving their reply until they could examine the Chinese statement carefully, the Japanese delegation announced that they could not agree to any course making the validity of the treaties and notes of 1915 or the change or abrogation thereof the subject of discussion at the Conference. They asserted that the question was one to be taken up between China and Japan, and not at the Conference, if it were to be taken up at all.

In a later meeting the Japanese delegation made a statement. They declined to have the treaties and notes of 1915 reconsidered on the

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ground that they were entered into by China "as a free sovereign nation", and declared as follows:

1. Japan is ready to throw open to the joint activity of the international financial consortium recently organized the right of option granted exclusively in favor of Japanese capital,—with regard, first, to loans for the construction of railways in South Manchuria and Eastern Inner Mongolia; and second, to loans to be secured on taxes in that region; it being understood that nothing in the present declaration shall be held to imply any modification or annulment of the understanding recorded in the officially announced notes and memoranda which were exchanged among the governments of the countries represented in the consortium, and also among the national financial groups composing the consortium, in relation to the scope of the joint activity of the organization.

2. Japan has no intention of insisting on her preferential right under the Sino-Japanese arrangements in questions concerning the engagement by Chinese of Japanese advisors or instructors on political, financial, military, or police matters in South Manchuria.

3. Japan is further ready to withdraw the reservation which she made, in proceeding to the signature of the Sino-Japanese treaties and notes of 1915, to the effect that Group V of the original proposal of the Japanese Government would be postponed for future negotiations.

In other words, Japan was willing to forego what she had already relinquished to the financial consortium as in (1), or what she would most probably never enjoy, either because it involved China's discretion as in (2), or because circumstances had changed as in (3).

In giving more fully the ground on which Japan declined to reconsider the treaties and notes of 1915, the statement continued.

It is presumed that the Chinese delegation has no intention of calling in to question the legal validity of the compacts of 1915, which were formally signed and sealed by the fully authorized representatives of the two governments, and for which the exchange of ratifications was effected in conformity with established international usages. The insistence by China on the cancellation of those instruments would in itself indicate that she shares the view that the compacts actually remain in force and will continue to be effective, unless and until they are cancelled.

After the Japanese delegation made their statement the Chinese delegation refuted the implication that China recognized the validity of those treaties and notes. They said that the Chinese government and people had always regarded them as peculiar in themselves owing to the circumstances under which they had been negotiated, and considered he state of things arising under them as a *de facto* situation without any legal recognition on the part of China. They also reserved their right to reply fully.

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In another meeting the Chinese delegation had their turn. They took note of Japan's concessions. They told how the treaties and notes were extorted from China at a time when the most friendly relation was in existence between the two countries, and how their provisions were in conflict with China's obligations towards other countries, and said:

Because of the essential injustice . . . the Chinese delegation, acting on behalf of the Chinese government and of the Chinese people, has felt itself in duty bound to present to this conference, representing the powers with substantial interests in the Far East, the question as to the equity and justice of these agreements and therefore as to their fundamental validity.

They said further:

If Japan is disposed to rely solely upon a claim as to the technical or juristic validity of the agreements of 1915 as having been actually signed in due form by the two governments, it may be said that, so far as this conference is concerned, the contention is largely irrelevant, for this gathering of the representatives of the nine powers has not had for its purpose the maintenance of the legal *status quo*. On the contrary, the purpose has been, if possible, to bring about such changes in existing conditions upon the Pacific and in the Far East as might be expected to promote that enduring friendship among the nations of which the President of the United States spoke in his letter of invitation to the powers to participate in this conference.

The unwillingness of the Japanese delegation to have the question discussed in the Conference remained the same, and the Chinese delegation had to be content with giving the reasons why the treaties and notes of 1915 should form the subject of impartial examination with a view to their abrogation. These reasons were (a) the unilateral character of the agreements in point of benefit, (b) their violation in important respects of treaties between China and the other powers, (c) their inconsistency with the principles relating to China adopted at the Conference, and (d) their being a source of constant misunderstanding between China and Japan. They then concluded their statement with the following:

The foregoing declaration has been made in order that the Chinese government may have upon record the views which it takes, and will continue to take, regarding the Sino-Japanese treaties and exchange of notes of May 25, 1915.*

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* In 1923 when the lease of Port Arthur and Talienwan expired according to the original grant, China called upon Japan, though with no avail, for the restoration of the territory in harmony with the stand taken in the Conference.

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Japan thus escaped practically unaffected so far as the specific questions were concerned. On the other hand she fared less well as regards her position with reference to Manchuria in general. The claim to a special position or special interests or a sphere of influence or interest in Manchuria, either based upon the lease of Port Arthur and Talienwan and the concession of the South Manchurian Railway, or put forward to justify their retention, was both directly and indirectly challenged in the Conference and eventually rendered more or less innocuous for the future.

At the very beginning of the Conference the Chinese delegation proposed the adoption of a set of general principles to be applied in the determination of the questions relating to China. In reply the powers represented there all expressed their sympathy. The Japanese delegation in particular was most generous. "We are anxious," they declared, "to see peace and unity re-established at the earliest possible moment, but we want to avoid all action that may be construed as an intervention in the internal affairs of China. All that this Conference can achieve is, it seems to us, to adjust China's foreign relations, leaving her domestic situation to be worked out by the Chinese themselves." "We are solicitous, they continued, "of making whatever contributions we are capable of towards China's realization of her just and legitimate aspirations. We are entirely uninfluenced by any policy of territorial aggrandizement in any part of China. We adhere without condition or reservation to the principle of the open door and equal opportunity in China. We look to China in particular for the supply of raw materials essential to our industrial life and for food stuffs as well. In the purchase of such materials from China, as in our trade relations with that country, we do not claim any special rights and privileges, and we welcome fair and honest competition with all nations."

Following the declarations of the various powers the American delegation submitted a proposed resolution which, they declared, covered the points on which all seemed to be in agreement. This resolution as finally adopted as Article I of the Nine-Power treaty relating to principles and policies concerning China reads as follows:

The Contracting Powers other than China, agree:

(1) To respect the sovereignty, the independence, and the territorial and administrative integrity of China;

(2) To provide the fullest and most unembarrased opportunity to China to develop and maintain for herself an effective and stable government;

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(3) To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China;

(4) To refrain from taking advantage of conditions in China in order to seek special rights and privileges which would abridge the rights of subjects or citizens of friendly States and from countenancing action inimical to the security of such States.

Shortly afterwards the Chinese delegation made a proposal to the effect that China be given previous notification of the negotiation of any treaty or agreement which would affect Chinese interests. The proposal as such was not accepted by the Conference, but it gave occasion for the British delegation to offer a substitute resolution which, later embodied in the Nine-Power treaty as Article II, reads:

The Contracting Powers agree not to enter into any treaty, agreement, arrangement, or understanding, either with one another, or, individually or collectively, with any Power or Powers which would infringe or impair the principles stated in Article I.

In the later part of the Conference when the specific question of the Open Door came up for discussion the American delegation again offered a resolution. As accepted by the Conference and embodied as Article III of the Nine-Power treaty, it reads as follows:

With a view to applying more effectually the principles of the Open Door or equality of opportunity in China for the trade and industry of all nations, the Contracting Powers, other than China, agree that they will not seek, nor support their respective nationals in seeking—

(a) any arrangement which might purport to establish in favour of their interests any general superiority of rights with respect to commercial or economic development in any designated region of China;

(b) any such monopoly or preference as would deprive the nationals of any other Power of the right of undertaking any legitimate trade or industry in China, or of participating with the Chinese Government, or with any local authority, in any category of public enterprise, or which by reason of its scope, duration or geographical extent is calculated to frustrate the practical application of the principle of equal opportunity.

It is understood that the foregoing stipulations of this Article are not to be so construed as to prohibit the acquisition of such properties or rights as may be necessary to the conduct of a particular commercial, industrial, or financial undertaking or to the encouragement of invention and research.

China undertakes to be guided by the principles stated in the foregoing stipulations of this Article in dealing with applications for economic rights and privileges from Governments and nationals of all foreign countries, whether parties to the present Treaty or not.

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On the occasion of the British delegation's bringing up the question of railways in China the American delegation also proposed a resolution indicating the general policy concerning their future development. The resolution which was adopted unmodified is as follows:

The Powers represented in this Conference record their hope that to the utmost degree consistent with legitimate existing rights, the future development of railways in China shall be so conducted as to enable the Chinese Government to effect the unification of railways into a railway system under Chinese control, with such foreign financial and technical assistance as may prove necessary in the interests of that system.

From the very beginning of the Conference the sentiment was very strong against the system of sphere of influence or interest. Great Britain in particular was most articulate on the question. During the discussion that led to the adoption of Article II of the Nine-Power treaty her delegation said:

So far as Great Britain is concerned, spheres of interest are things of the past. The British Government has not the slightest wish to prolong a situation which, so far as they are concerned, has been abandoned. A better way of dealing with the matter is to make clear what had already been implicitly, if not explicitly, indicated, namely, to declare that no one wishes to perpetuate either the system of spheres of interest or the international understandings on which they depend.

Furthermore, in order to have the British stand go on the records of the Conference they stated that on October 31, 1921 the spokesman of the British foreign office had made the following declaration in the House of Commons:

The policy of spheres of influence in China has been superseded by one of international cooperation, and the further development of this policy will no dobt form one of the subjects of discussion at Washington.

Later in connection with the discussion leading to the adoption of Article III The British delegation again declared:

The British Empire Delegation understood that there was no representative of any Power around the table who thought that the old practice of "sphere of influence" was either advocated by any Government or would be tolerable in this Conference.

Before the last declaration was made, the question had been definitely brought up for action by the Chinese delegation. Nothing was done then on account of the question's foundering upon the rock of the Twenty-one Demands, but in a later meeting when opportunity

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offerred itself the American delegation presented a resolution on the question, which was accepted by the Conference and embodied as Article IV of the Nine-Power treaty as follows:

The Contracting Powers agree not to support any agreements by their respective nationals with each other designed to create Spheres of Influence or to provide for the enjoyment of mutually exclusive opportunities in designated parts of Chinese territory.

With the adoption of the foregoing resolutions practically all inter-power agreements relating to China from the restrictive effect of which China asked to be relieved were either superseded or rendered incompatible. Early in the Conference a treaty had been concluded among the United States, Great Britain, France and Japan providing for the termination of the Anglo-Japanese alliance. On April 14, 1923, about a year after the Conference, an exchange of notes was also made between the United States and Japan declaring the cancellation of the Lansing-Ishii agreement.

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Chapter VI

RUSSIAN INFLUENCE DIMINISHED

For a few years after the Russo-Japanese War Russia did very little in the way of extending her influence in North Manchuria. At one time she was even favorable to the idea of selling the Chinese Eastern Railway. With the joint Russo-Japanese opposition to the American neutralization scheme in 1909 a change however came over her. From that time on she became an accomplice to Japan in all her attempts upon Chinese rights and divided with her the spoils which their labor was able to bring them. Then came the Revolution at home and consequently her more or less elimination as an important factor.

Shortly after the outbreak of the Revolution in Russia disorder spread into the railway zone. China therefore stepped in as the territorial sovereign to help maintain order. She first despatched troops into the zone and established a liason between the railway company and the Chinese government by the appointment of a president for the company, an act which she had desisted from doing ever since the days of the Russian military occupation of Manchuria. Later, she also fonnd it necessary to station police along the line. Still later, in consequence of the decision of the Allied forces in Siberia to assign the protection of the Chinese Eastern Railway to China she organized the troops along the line into regular railway guards under a unified command.

In taking the foregoing measures China assumed the *de facto* status of the Chinese Eastern Railway without raising the fundamental question of the extent of Russia's right over it. Thus it was seen that while she despatched armed forces into the zone and appointed a president for the company, she did not interfere with the management of the railway, nor take steps to disarm the Russian guards and police still found along the line. By 1920 conditions had, however, so changed that China was compelled to modify her policy in some way. With the Allied intervention in Siberia various problems had been created that threatened to further complicate the issue of the status of the railway. Furthermore, as the revolutionary government had gradually extended its power into Eastern Siberia, sooner or later China would have to put herself in a false position by refusing to let it take over the zone, or run the risk of all contingencies if the new regime were to be installed in the

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place of the old. It may be added that by this time China also had come to realize that if she were to recover her lost rights, the time had come.

The occasion for action came during the third anniversary of the Russian Revolution when the employees of the railway went on strike against their general manager. China thereupon again intervened. She first caused the resignation of the general manager, next disarmed all remaining Russian guards and police, and finally took over the control of the railway on the basis of an agreement entered into on October 2, 1920 with the Russo-Asiatic Bank representing the financial interests of the railway.

The agreement referred to was declared to be supplementary to the agreement of September 8, 1896. In the preamble it was stated that the Chinese government—

Finds itself under obligation to take measures indispensable not only for the safe-guarding of security in the regions served by the said railway and for the maintenance of communications which are of world interest, but also for effective protection over the property of the said railway.

This was so in view of—

(a) The payment, as participation, of 5,000,000 kuping taels to the Russo-Chinese Bank (now the Russo-Asiatic Bank) with a view to the putting into execution of the contract drawn up on the 25th day of the Seventh Moon of the twenty-second year of Kuanghsu (September 8, 1896) for the construction and operation of the Chinese Eastern Railway;

(b) The sum due by the above-mentioned railway company to the Chinese Government, accruing from the principal, namely 5,000,000 kuping taels, and the interest due thereon, as also the credit rights resulting from the subsequent advances made in recent years in favor of this railway:

(c) The situation created by the complete political disorganization in Russia, rendering temporarily impossible for the said company the maintenance of regular operation;

(d) Its rights of sovereignty.

Thus—

By reason of the obligations stated above, the Chinese Government has, under date of October 2, 1920, notified the Bank its decision to assume provisionally, pending such arrangement concerning the railway as the Government may reach with the Russian Government that may be recognized by China, the supreme control exercised over the said railway by virtue of the contract and of the regulations in force, and to resume the advantages and particular interests conferred upon China by the operating contract concluded in the 22 year of Kwang-Hsu (1896) and the original statutes of the said Company.

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By this agreement the Chinese government was to have the right in addition to the President, to name four Chinese upon the Board of Directors which had a membership of nine, and the President was to have an additional deciding vote in case of a tie. Decision, however, was to be made with a majority of seven members. The Chinese government was also to name two Chinese upon the Audit Committee which had a membership of five with one of the Chinese to be elected Chairman. In addition to the foregoing provisions Articles V and VI read as follows:

V. It is understood that, in order to assure the satisfactory progress of operation of the said railway, the posts of the railway will be shared in an equitable manner between Chinese and Russians.

VI. The rights and obligations of the Company will henceforth be in every respect of a commercial character: every political activity and every political attribute will be absolutely forbidden to it. To this end, the Chinese Government reserves the right to prescribe restrictive measures of any character and at any time.

The agreement was supplemented by a number of notes exchanged between the parties. In one of these it was stated that the interest accruing from the principle of 5,000,000 taels due to the Chinese government by the Bank was to be calculated on the basis of 6% compounded annually from the day the railway was opened to traffic to the year 1920, and that the entire sum due was to be recorded as soon as the parties were able to discover a basis for settling whether 1903 or 1907 was to be taken as the date on which the railway was opened to traffic. In another the Chinese government reserved the right to raise the question of purchasing one half of the shares of the Railway Company, amounting to 2,500,000 roubles. In a third the Bank declared that it was a private limited company with no relation to any party in Russia or any power other than China and Russia.

Under the date of October 6, 1920 two letters were also addressed by the Bank to the Chinese government. In one the Bank communicated a testimony made by the representative of the Russian Ministry of Finance attached to the Ambassy at London and transmitted through the French Ministry of Foreign Affairs and Legation in Peking to the effect that the shares of the Chinese Eastern Railway Company were all owned by the Bank. In the other letter the Bank declared itself to be a Russian private company registered at the Russian capital.

On December 25, 1920, following the agreement with the Bank, China created the railway zone into a Special Area. At the same time she organized the police administration of the territory, railway police having been placed undcr the President of the railway previously. In

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February next year she also established a bureau of municipal administration at Harbin.* On March 1, 1923 after two years' experience, these mutually independent institutions were coördinated by the appointment of a governor for the Special Area. Under the unified administration municipal bureaus were established in all important centres throughout the territory and control over lands not strictly for the operation of the railway as well as over education was assumed.**

The assumption of control over the railway was enough to fortify Chinese position with regard to the new regime in Russia. As to meeting the problems arising from the Allied intervention in Siberia something further in the direction of clarifying the status or the railway needed to be defined.

During the Allied intervention in Siberia it was found that from both the military and economic standpoint it was desirable to unify the control of the Trans-Siberian Railway system including the Chinese Eastern Railway. At the suggestion of the United States an Inter-Allied Committee consisting of representatives from each power having military forces in Siberia, including Russia, with a Russian chairman, was therefore created, also two boards under it, one a Technical Board for the purpose of administering the technical and economic management of the railway, and the other an Allied Military Transportation Board to attend to the coördination of military transportation. At the recommendation of the United States an American expert was appointed as President of the Technical Board. In order to make clear the temporary nature of the measure it was provided in the agreement of January 9, 1919 that the arrangement was to cease to be operative upon withdrawal of the foreign military forces from Siberia, and all the foreign railway experts appointed under the arrangement were then to be recalled forthwith.

In the Washington Conference the question of the Chinese Eastern Railway on account of its peculiar nature was discussed separately from the railways in China in general. The question was introduced by the Chairman with the statement that he assumed that the delegates had before them the documentary history of the railway and were conversant with the problems relating to its proper and efficient management. So far as the United States was concerned, he said, there was but one inter-

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* In the meantime the reorganized Board also adopted measures to modify the economic policy of the railway.

** The municipal councils established during the old regime were not reorganized until 1926.

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est and that was that the railway should be maintained as an artery of commerce, with free opportunity to all and unfair discrimination against none. The subject, he continued, was so difficult, there were so many different angles that had to be carefully considered, and the project and the relation of both Russia and China to it were such that he did not think the matter could profitably be discussed in the main Committee at that time. It seemed to him that such a discussion would almost necessarily involve a detailed consideration of history and of documents and interests without dealing only with the point of the immediate requirements by reason of the existing conditions in that part of the East. He therefore suggested that a Subcommittee of Technical Advisers be appointed to consider whether there was anything that could be done in the Conference.

In the subcommittee the members were unable to agree among themselves. There was a tendency started by its American member to look at the question from the standpoint of the railway rather than of the territory through which it traversed, and to emphasize the trusteeship resulting from the assumption of control by the Allied powers during the period of military operation at the expense of China's claim to act on behalf of herself and the Russian government. In a proposed resolution suggestion was made for the establishment of a finance committee which was to exercise a general financial control over the railway and "the trusteeship which was assumed in 1919," as well as to have the charge of "a dependable and effective police force or gendarmerie." It goes without saying that the suggestion was not acceptable to the Chinese member.

The subcommittee having reported back to the main Committee the Chairman thought it was inadvisable, at that time, to have a discussion there with regard to those points of difference and suggested the appointment of a subcommittee from among their own members, as delegates with the responsibility of plenipotentiary representatives of the powers, to consider them and to see what could be done in the direction of a solution.

In the Subcommittee of Delegates two proposed resolutions were submitted for consideration, including one by the Chinese representative. The two drafts were almost identical, as they differed only in the inclusion of the question of the Ussuri Railway in the Chinese draft. In the view of the sponsor of the proposal such inclusion was necessary because the Ussuri Railway furnished the only access to the sea for the Chinese Eastern and because the Inter-Allied agreement, from which

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the question under discussion had grown, had been based upon the principle of taking care temporarily of the Trans-Siberian system, including the Chinese Eastern Railway. In the end the Chinese representative and his French colleague were appointed to consider and reconcile the two drafts.

The report made by the two representatives took substantially the Chinese draft as the basis. After reciting certain facts by way of a preamble it declared that it was desirable to amend the terms of the Inter-Allied agreement with the result that the Technical Board should replace the bodies formed in 1919 and to authorize this Board to advise and assist the President and the Board of Management of the Chinese Eastern Railway and of the Ussuri Railway respectively in the making of loans and to supervise the expenditure of the funds thus obtained. By this proposed agreement China was to furnish an adequate force of gendarmerie with modern equipment and training for the protection of the Chinese Eastern Railway, this force to be paid by the Railway.

When the Subcommittee first met the Japanese representative had raised objection to attempts to discuss treaty or other contractual rights involved in the question or to pass upon the interpretation of those treaties and contracts. After the Chinese and French representatives reported he again questioned the propriety of amending the Inter-Allied agreement of 1919. As a result he was appointed to go over the drafts with his Chinese and French colleagues and to reach an agreement.

The plan, however, proved to be a failure. While not raising some of the questions he put before, the Japanese representative attempted to reintroduce provisions into the draft relating to the question of trusteeship "in the interest of the Russian people" as well as "the general financial supervision ever the Managements" of the Chinese Eastern and Ussuri Railways. Furthermore, he proposed changes in the organization of the Technical Board as follows:

That the Technical Board shall consist of one representative of each of the Powers participating in this arrangement who shall have equal power and authority. The Chairman of the Board shall be elected by the members thereof from among them in such a manner as may be best suited for the discharge of its functions.

The Chinese representative, of course, could not agree to the provisions relating to trusteeship and financial supervision. The American representative showed his dissatisfaction with both the stand taken by his Chinese colleague and the change relating to the

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Technical Board proposed by the Japanese, as he thought that the combined effect would mean only the ousting of the American President of the Board. In the end he suggested the following resolutions as substitutes which were adopted:

Resolved, That the preservation of the Chinese Eastern Railway for those in interest requires that better protection be given to the Railway and the persons engaged in its operation and use; a more careful selection of personnel to secure efficiency of service, and a more economical use of funds to prevent waste of the property.

That the subject should immediately be dealt with through the proper Diplomatic channels.

The Powers other than China in agreeing to the Resolution regarding the Chinese Eastern Railway, reserve the right to insist hereafter upon the responsibility of China for performance or nonperformance of the obligations towards the foreign stockholders, bondholders and creditors of the Chinese Eastern Railway Company, which the Powers deem to result from the contracts under which the railroad was built and the action of China thereunder and the obligations which they deem to bə in the nature of a trust resulting from the exercise of power by the Chinese Government over the possession and administration of the railroad.

On the two resolutions' being presented to the main Committee the Chinese representative made a statement of the Chinese position. After giving the considerations which had guided the Chinese delegation in dealing with the question, he went on to point out that the legal position of the railway was expressly defined in the agreements between China and Russia, and between China and the Russo-Asiatic Bank, and whatever changes had taken place in the internal organization of the railway had been effected by due process. As to the extent of the trust which China had assumed, he said that applied only to the functions which had been exercised by the Russian government under agreements with China and which China was then exercising as a provisional measure because of the absence, for the time being, of a recognized Russian government. Speaking of the practical situation, he asserted that the Chinese authorities had been handling it to the best of their ability, and if the protection afforded to the road and to those who used it had not been fully adequate, that had been due more to the difficulties consequent upon the political disorganization in Russia than to any lack of determination on the part of China.

Shortly after the Washington Conference the last of the Japanese contingents of the Allied forces left the Siberian mainland, and with that the Inter-Allied Committee and the Technical Board all ceased to function. In notifying China of the fact on October 31, 1922 the

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United Stated, France, Great Britain, Italy and Japan reiterated the position they took in the Conference. In addition they reserved to themselves all rights, including those with respect to advances in money and material which had been made by them to the Railway either directly or through the Committee or Technical Board.

The anomolous situation of the Chinese Eastern Railway was, however, clarified before long. Ever since the influence of the new regime in Russia was extended into Siberia it had sought to secure Chinese recognition. Four missions were sent between 1920 and 1923. Of these the first two failed on account of the Mongolian situation at the time, while the third ended with the alleged sickness of the envoy; but the fourth was able finally to reaeh an understanding with China. On May 31, 1924 this mission entered into two agreements with the central government at Peking. One of these was on general principles for the settlement of questions between China and Soviet Russia, while the other was for the provisional management of the Chinese Eastern Railway. Later, on October 8th, it also succeeded in entering into an agreement relating exclusively to the Chinese Eastern Railway with the Mukden government which was then practically independent of Peking.

Of provisions relating to general principles the parts that have a bearing upon the subject under discussion are to be found in Articles III, IV, and VI, of the first mentioned agreement, These are as follows:

Art. III.—The Governments of the two Contracting Parties agree to annul at the Conference as provided in the preceding Article, all Conventions, Treaties, Agreements, Protocols, Contracts, etcetera, concluded between the Government of China and the Tsarist Government, and to replace them with new treaties, agreements, etcetera, on the basis of equality, reciprocity and justice, as well as the spirit of the Declarations of the Soviet Government of the years of 1919 and 1920.

Art. IV.—The Government of the Union of Soviet Socialist Republics, in accordance with its policy and Declarations of 1919 and 1920, declares that all Treaties, Agreements, etcetera, concluded between the former Tsarist Government and any third party or parties affecting the sovereign rights or interest of China, are null and void.

The Governments of both Contracting Parties declare that in future neither Government will conclude any treaties or agreements which prejudice the sovereign rights or interests of either Contracting Party.

Art. VI.—The Governments of the two Contracting Parties mutually pledge themselves not to permit within their respective territories the existence and/or activities of any organizations or groups whose aim is to struggle by acts of violence against the Government of either Contracting Party.

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The Governments of the two Contracting Parties further pledge themselves not to engage in propaganda directed against the political and social systems of either Contracting Party.

Relating to Article IV there is also the following declaration:

The Government of the Republic of China and the Government of the Union of Soviet Socialist Republics jointly declare that it is understood that, with reference to Article IV of the Agreement on General Principles, the Government of the Republic of China will not and does not recognize as valid any treaty, agreement, etcetera, concluded between Russia since the Tzarist regime and any third party or parties, affecting the sovereign rights and interests of the Republic of China. It is further understood that this expressisn of understanding has the same force and validity as a general declaration, etcetera, etcetera.

As to provisions relating to the Chinese Eastern Railway, for practical purposes perhaps it is necessary only to reproduce Article I of the Mukden agreement, as provisions in the Peking agreements relating to the subject are either identical to or covered by it. This article reads as follows:

The governments of the two Contracting Parties agree to settle the question of the Chinese Eastern Railway as hereinafter provided:

(1) The Governments of the two Contracting Parties declare that with the exception of matters pertaining to the business operations which are under the direct control of the Chinese Eastern Railway, all other matters affecting the rights of the National and the Local Governments of the Republic of China, such as judicial matters, matters relating to civil administration, military administration, police, municipal government, taxation and landed property (with the exception of lands required by the Chinese Eastern Railway itself) shall be administered by the Chinese Authorities.

(2) The time-limit as provided in Article XII of the Contract for the Construction and Operation of the Chinese Eastern Railway of September 8th, 1896, shall be reduced from eighty to sixty years, at the expiration of which the Government of China shall enter gratis into possession of the said Railway and its appurtenant properties.

Upon the consent of both Contracting Parties, the question of a further reduction of the said time-limit (that is, sixty years) may be discussed.

From the date of signing the present agreement, the Union of Soviet Socialist Republics agrees that China has the right to redeem the Chinese Eastern Railway. At the time of redemption, the two Contracting Parties shall determine what the Chinese Eastern Railway had actually cost and it shall be redeemed by Chinese capital at a fair price.

(3) The Government of the Union of Soviet Socialist Republics agrees in a Commission to be organized by the two Contracting Parties

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to settle the question of the obligations of the Chinese Eastern Railway Company in accorance wi[t]h Section 4 of Article IX of the Agreement on General Principles for the Settlement of the Questions between the Union of Soviet Socialist Republics and the Republic of China signed on May 31st, 1924, at Peking.*

(4) The Governments of the two Contracting Parties mutually agree that the future of the Chinese Eastern Railway shall be determined by the Union of Soviet Socialist Republics and China to the exclusion of any third party or parties.

(5) The Contract for the Construction and Operation of the Chinese Eastern Railway of August 27th 1/ September 8th, 1896, shall be completely revised, in accordance with the terms specified in this Agreement, by a Commission of the two Contracting Parties in four months from the date of signing the present Agreement. Pending the revision, the rights of the two Government arising out of this Contract, which do not prejudice China's rights of sovereignty, shall be maintained.

(6) The Railway shall establish, for discussion and decision of all matters relating to the Chinese Eastern Railway, a Board of Directors to be composed of ten persons, of whom five shall be appointed by the Union of Soviet Socialist Republics and five by China.

China shall appoint one of the Chinese Directors as President of the Board of Directors, who shall be ex-officio the Director-General.

The Union of Soviet Socialist Republics shall appoint one of the Russian Directors as Vice-President of the Board of Directors, who shall be ex-officio the Assistant Director-General.

Seven persons shall constitute a quorum, and all decisions of the Board of Directors shall have the consent of not less than six persons before they can be carried out.

The Director-General and the Assistant Director-General shall jointly manage the affairs of the Board of Directors, and they shall jointly sign all the documents of the Board.

In the absence of either the Director-General or the Assistant Director-General, their respective Governments may appoint another Director to officiate as the Director-General or the Assistant Director-General (in the case of the Director-General, by one of the Chinese Directors, and in that of the Assistant Director-General, by one of the Russian Directors).

(7) The Railway shall establish a Board of Auditors to be composed of five persons, namely, three Russian Auditors, who shall be appointed by the Union of Soviet Socialist Republics, two Chinese Auditors, who shall be appointed by China.

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* In this section the Soviet Union assumes responsibility for the entire claims of "the shareholders, bondholders and creditors" of the Chinese Eastern Railway incurred prior to the Revolution of March 9, 1916.

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The Chairman of the Board of Auditors shall be elected from among the Chinese Auditors.

(8) The Railway shall have a Manager, who shall be a national of the Union of Soviet Socialist Republics, and two Assistant Managers, one to be a national of the Union of Soviet Socialist Republics, and the other to be a national of the Republic of China.

The said officers shall be appointed by the Board of Directors, and such appointments shall be confirmed by their respective Governments.

The rights and duties of the Manager and the Assistant Managers shall be defined by the Board of Directors.

(9) The Chiefs and Assistant Chiefs of the various departments of the Railway shall be appointed by the Board of Directors.

If the Chief of a department is a national of the Union of Soviet Socialist Republics, the Assistant Chief of that department shall be a national of the Republic of China, and if the Chief of a department is a national of the Republic of China, the Assistant Chief of that department shall be a national of the Union of Soviet Socialist Republics.

(10) The employment of persons in the various departments of the Railway shall be in accordance with the principle of equal representation between the nationals of the Union of Soviet Socialist Republics and those of the Republic of China.

(Note:—In carrying out the principle of equal representation, the normal course of life and activities of the Railway shall in no case be interrupted or injured, that is to say, the employment of the people of both nationalities shall be based in accordance with experience, personal qualifications and fitness of the applicants.)

(11) With the exception of the estimates and budgets as provided in Section XII of Article I of the present agreement, all other matters on which the Board of Directors cannot reach an agreement, shall be referred to the Governments of the Contracting Parties for a just and amicable settlement.

(12) The Board of Directors shall present the estimates and budgets of the Railway to a joint meeting of the Board of Directors and the Board of Auditors for consideration and approval.

(13) All the net profits of the Railway shall be held by the Board of Directors and shall not be used pending a final settlement, in a joint Commission, of the question of its distribution between the two Contracting Parties.

(14) The Board of Directors shall make a complete revision, as soon as possible, of the statutes of the Chinese Eastern Railway Company approved on December 4th, 1896, by the Tsarist Government in accordance with the present Agreement and not later than four months from the date of the constitution of the Board of Directors.

Pending their revision, the aforesaid statutes, insofar as they do not conflict with the present Agreement and do not prejudice the rights of sovereignty of the Republic of China, shall continue to be observed.

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(15) As soon as the conditions of the redemption by China of the Chinese Eastern Railway are settled by both Contracting Parties, or as soon as the Railway reverts to China upon the expiration of the time-limit as stipulated in Section II of Article I of the present Agreement, all parts of this Agreement concerning the same shall cease to have effect.

As may be gathered from the text, the agreements contemplated the redemption of the railway by China. Pending this final step they provided for such adjustment of details on the principles already laid down as related to the obligations of the Railway Company, the terms of the original contract, the distribution of profits, the rights and duties of the Manager and Assistant Managers and the regulations governing the operation of the railway. On account of the civil war which broke out shortly after the Peking agreements were signed and which lasted practically until the summer of 1928, none of the provisions have been carried out up to the time of writing (September 1929), not even that relating to the rights and duties of the managers, which needs immediate attention.

Under the old regime the manager of the railway, being the highest authority on the spot, was as a matter of policy given almost unlimited power. This arrangement, of course, was not compatible with the new condition of things, in which the Board was no more to sit in Peking or St. Petersburg, but in Harbin, and the management became Sino-Russian instead of purely Russian. On December 1, 1924 the Board appointed a committee to revise the statutes of the Company as provided in Section 14 of Article I of the Mukden agreement, and the question naturally came up for discussion. On the 26th the committee had its first meeting.

If Russia ever intended to admit China to the joint control of the railway she had changed her mind by this time. It is evident that with a Board consisting of Russians and Chinese in equal number to decide by a majority of its entire membership neither party would be able to put across measures against the wish of the other. It was therefore but fair that the basis on which it was to work should not give undue advantage to one party against the other. Russia, however, ignored this. In January, 1925, the Russian members of the committee submitted a memorandum proposing not the limitation, but the extension of the power of the manager, and when they came to meet with their Chiness colleagues on the 13th of the month they so insisted upon their point of view that a deadlock immediately resulted. After that the committee never met again for the next ten months. On

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October 23rd another attempt was made to reach an agreement, but this occasion proved to be no more successful than the former.

In the meantime something more unfortunate than the disagreement relating to the power of the railway manager developed. It was in the winter of 1925 that the Mukden government with which Russia had to deal concerning the affairs of the Chinese Eastern Railway began to engage itself in war against parties that happened to maintain close relationship with Russia. In order to be true to her friends Russia did not fail to render them material assistance even to the point of injuring the Mukden government. Of this the most well-known instance was the refusal of the Manager of the Chinese Eastern Railway in January, 1926 to transport Mukden troops without being paid in advance as heretofore, which resulted in the Mukden government's resorting to force to compel compliance. Such a kind of atmosphere was naturally not condusive to a settlement of differences. On the contrary, it bred distrust and intensified feelings, until finally both parties were less willing to compromise and more prone to resort to independent action. It is said that in the months before the recent deportation case the Board presented the scene of two hostile camps engaged in defending and attacking the railway manager for exceeding his authority. What had transpired in last July after the raid of the Russian consulate-general at Harbin was therefore not a surprise at all.

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Chapter VII

SINO-JAPANESE STRUGGLE RENEWED

Ever since the early unsuccessful attempt at solution the central government in China has done practically nothing in the way of meeting Japanese advance in Manchuria. The Regency of the last days of the Manchu dynasty was incompetent. The central government of the first years of the Republic was too much occupied with larger problems of national reorganization. The Anfu Club that succeeded it even attempted to sell Manchuria to Japan. For more than a decade Japan had her way with Manchuria. This undoubtedly counts just as much towards the success of Japan before the Washington Conference as the favorable world situation described above.

The overthrow of the Anfu Club in 1920 did not improve matters, because as indicated by the civil wars that followed the central government practically ceased to exercise any authority over the country, still less to formulate and carry out policies. But nature is its own remedy. Through the gradual disintegration of the central authority there slowly evolved in Manchuria a power that was capable of meeting the need. Under the leadership of Chang Tso-lin the Mukden government began to take the matter into its own hand step by step until it was eventually able not only to revive the policies of earlier days, but also to carry them to such success as would have made the original promoters of those policies envious.

We have had occasion to speak of the promises relating to certain projected railways which Japan was able to secure from China in 1913. Among these promises the one that related to the Ssupingkai-Chengchiatun line was the first on which Japan devoted her attention, and on December 27, 1915 China was induced to sign an agreement for a loan of 5,000,000 *Yen* with the Yokohama Specie Bank for the construction of the first leg to Chengchiatun. According to the agreement the term of the loan was to be forty years, amortization of the principle was to begin with the eleventh years, and China reserved to herself the right to pay off part or all of the loan after the last-mentioned date. The loan was guaranteed by the Chinese government and secured on the property and revenue of the line. During its service the Chinese Director-General was to appoint a Japanese Chief Accountant. In return

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for the favor of the loan the Director-General was to appoint a Japanese Chief Engineer for the construction of the railway as well as a Japanese Traffic Manager and a Japanese Engineer for its operation. In addition China undertook to give preference to the Bank in the event foreign capital was needed for the construction of an extension or a branch line. It was further provided that the nominal value of the bonds was to be determined by the Bank; that should the money market prove to be unfavorable, extension was to be granted to the Bank for carrying out the provisions of the agreement; and that the Bank was authorized, with the consent of the Director-General, to transfer the rights and obligations to another Japanese subject or to entrust them to another person as its attorney. The loan was floated at a discount. After deducting this and the commission to the Bank it brought China only 4,050,000 *Yen*. In addition the purchasing power of gold had declined on account of the European War. As a result China had to contract a short term loan of 2,600,000 *Yen* from the Bank in February 1918 before the line could be completed.

After the completion of the line Japan became active again, and on September 8, 1919 China was induced to sign another agreement, this time with the South Manchurian Railway Company, for a loan of 45,000,000 *Yen* for the construction of the second leg to Taonan as well as a branch line to Chengchiatun on practically the same terms as the 1915 agreement. At the same time through an exchange of notes with the Bank China was also made to recognize the acquisition of the rights and obligations of the 1915 agreement from the Yokohama Specie Bank by the Company,

The enterprise was, however, fated from the beginning. It was already a year since the last of the Nishihara Loans was made. By this time the Anfu Club was evidently ~~again in need~~ of money. They applied to the Company and on November 15th an advance of 5,000,000 *Yen* upon the loan was made to them. Next, the condition of the money market was unfavorable for the floatation of the loan. Although the plan of construction was carried out just the same with short term loans made by the Company from time to time, it involved high cost in material, capital, and human service. On May 11, 1920 the first short term loan of 10,000,000 *Yen* was made partly to pay off the advance made to the Anfu Club and partly for the construction of the railway. From that time new loans were made every year and old loans were consolidated until 1925, a little more than a year after the completion of the work, the railway had owed the Company 32,000,000 *Yen* on account of the new

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projects. It is estimated that in 1925 the liabilities of the Ssupingkai-Taonan Railway were 37,576,000 *Yen* while assets, only 14,526,000 *Yen*.

In the meantime Japan did not forget the projected line from Changchun to the Tumen to be there connected with Korean railways leading to the coast, over which line she had been busy ever since the days of the Peking Conference. We have seen above that through the Nishihara Loans Japan had obtained a commission for the operation of the Kirin-Changchun Railway for the South Manchurian Railway and committed the Anfu government to the construction of the Kirin-Hueining Railway. In the last of the two moves Japan had evidently overshot herself, because with a liability of 10,000,000 *Yen* attached to a project even the Anfu government itself became less ready to comply with Japanese wishes, and nothing was done for several years, In the end Japan was compelled to change her tactics.

In the same year when the advance was made upon the proposed loan for the Kirin-Hueining Railway, through some private Japanese initiative a Sino-Japanese company was organized for the construction of a light railway between the Tumen and Tienpaoshan ostensibly for the transportation of the products of mines at the latter place then being prospected, but on account of the strong opposition of the local gentry nothing was done for several years. As the proposed line covered practically the eastern end of the Kirin-Hueining Railway, it must have appeared to Japan a worthy project in view of the failure of the Nishihara Loans scheme. However this may be, diplomatic pressure was brought to bear upon China on its behalf, until in 1921 the central government was moved to make an investigation into the matter. Before any decision was reached however, civil war broke out, resulting in the assumption of autonomy by the Mukden government. At this juncture (August, 1922) the company started work on the line without waiting for further action on the part of China. Diplomatic correspondence ensued. In the end a compromise was reached. According to an agreement signed in November, 1922, between the provincial government of Kirin and the Japanese promoter, the railway was made a joint enterprise of the two parties with a capital of 4,000.000 *Yen* to be supplied in equal proportion. The concession was stated to be thirty years, beginning from March 16, 1918, during which the Chinese government was free to exercise the right of redemption at a fair price.

The idea of building the Kirin-Hueining Railway by sections having proved to be practical Japan followed it up by approching China in the spring of 1923 for the constrcction of the western section, namely,

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from Kirin to Tunhua. For reasons which can be best interpreted from the subsequent events the local authorities fell in with the plan and by September entered into a preliminary agreement with the South Manchuria Railway Company for carrying out the project.

According to the final agreement signed by the central government in October 1925 on the basis of the preliminary agreement the Company was to build the railway for China. For this purpose it was to advance 18,000,000 *Yen* for the work and to act as the purchasing agent abroad. The work was to be carried out under the supervision of the Chinese Director of the railway who was to engage a Japanese Chief Engineer during the period of construction. The advance was to bear interest from the date the work was completed and to be paid back one year thereafter subject to extension by negotiation. It was to be secured upon the property and revenue of the railway. During its service the Director was to engage a Japanese as Chief Accountant. It was further provided that any transfer of rights enjoyed under the agreement was subject to the approval of the Chinese government, and that as there was the "necessity" of placing the line with the Kirin-Changchun Railway under one administration, the Chinese government would take up the matter with the Company before the completion of the work. At the same time a number of notes were exchanged between the parties. One stated that should it prove necessary to distribute the payment of the advance over a long period, thirty years would be taken as the limit, right being still reserved for China to liquidate the debt any time she was ready. Another stated that while the Company promised to consider the modification of the agreement relating to the Kirin-Changchun Railway when the question of its joint administration with the new line came up for discussion, China engaged to devise means for the extension of the railway from Tunhua in the interest of the existing sections.

In the meantime Japan did not neglect Eastern Inner Mongolia. Shortly after the preliminary agreement for the construction of the Kirin-Tunhua Railway she also proposed the extension of the Ssupingkai-Taonan line to Anganchi. For reasons similar to the former case the local authorities again consented and on September 3, 1924 entered into an agreement, this time also with the South Manchurian Railway Company, to give effect to the proposal. According to this agreement, which was registered with the central government in the following year, the Company undertook to construct the railway on behalf of China at the cost of 12,920,000 *Yen* to be paid at the com-

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pletion of the line, or to be coverted into a long term loan of forty-years at the lapse of half a year thereafter. The loan was to be secured upon the property and revenue of the line. Amortization of the principal was to begin with the eleventh. China, however, was free to pay off part or all of the loan any time from the beginning when she was ready. But before her financial obligations were met, she was to engage an adviser nominated by the Company, who was to be in charge of the accounts of the railway and to serve as the representative of the Company.

The granting of the concessions to Japan to construct the Kirin-Tunhua and Taonan-Anganchi Railways formed a turning point in the history of Manchuria. It marked at once the highest point of Japanese success in casting Japan's railway net over the country, and the beginning of Chinese activities to extend China's own system in place of her neighbor's. Railway extension as a necessary condition to the development of the country must have been as evident to the new power that came to will the destiny of Manchuria as to the set of men entrusted with the reconstruction of the country in the days following the Russo-Japanese War. This seems to have accounted for the readiness of the Mukden government to meet Japanese wishes where it could have easily flouted her. But if this be so, how much more must the necessity of railway development by its own initiative and capital have appeared to the Mukden government, especially when it began to realize the significance of foreign activities with a political motive behind them! Within a period of three years, therefore, it started work on four railways, Mukden-Hailung in 1924, Hulan-Hailun and Tahushan-Tungliao in 1925 and Kirin-Hailung in 1926.

With the projection of these railways a reaction, however, was created in Japan. By charting these lines on the map together with lines she had already built for China she discovered that the Chinese could soon move from the coast to eastern Manchuria, Eastern Inner Mongolia and North Manchuria entirely independent of the South Manchurian Railway, and jumped to the conclusion that her position in Manchuria was menanced. Before long measures were advocated to counteract such a contingency. It was urged that Japan built a new system of railways with its terminus at one of the ports in northeastern Korean coast comparable to the South Manchurian Railway. This was to be done by completing the Kirin-Hueining Railway and by building two news lines, one from Changchun to Talai on the Sungari and another from a point on the Tumen to Hailin on the Chinese Eastern Railway.

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It was also urged that Japan expanded the system branched out from the South Manchurian Railway at Ssupingkai by building two extensions one from Taonan to Solun and another from Tungliao to Jehol.

While these railway plans were being mooted, a new situation arose in which Japan saw her opportunity to strike. It was in the spring of 1927 that the Nationalists by their success along the southern section of the Peking-Hankow and Tientsin-Pukow Railways began to threaten the power of the Mukden government. It must have appeared to Japan that by some subtle form of intervention in which she was in a position to decide the fate of the parties she would be able to obtain whatever she wanted from them. When the Nationalists had occupied the Lunghai Railway and surged into the province of Shantung and the time seemed ripe, she acted. Troops were immediately rushed to Shantung to be stationed on points between Tsinan and Kiaochow, and a conference was called to discuss policies at Tokio.

The conference met on June 27th and was attended by the leading officials in the War and Navy Ministries of Japan, the Commander-in-Chief of the Kwantung Army, the Governor of Kwantung, the Minister to Peking and the Consuls-general at Mukden and Shanghai. In the conference policies were outlined for Manchuria and Mongolia and measures adopted for the promotion of Korean immigration, for the development of railways, and for the reorganization of the instruments through which these policies and measures were to be carried out, such as the South Manchurian Railway Company and the colonization department of the Japanese government. On July 7th, at the close of the conference, a statement was issued. The basic principle of Japan's policy towards China, it declared, was "the maintenance of peace in the Far East and the realization of the common prosperity of Japan and China," but the methods of carrying out the principle might vary in its application to "China proper" and to "Manchuria and Mongolia" "in view of our special position in the Far East." Referring to "Manchuria and Mongolia" it said:

Since Manchuria and Mongolia, particularly The Three Eastern Provinces, have an important bearing upon the national defence and existence of this country, we must devote especial attention to those regions. We feel, moreover, particular responsibility as a neighbor for making them suitable for the residence of both Japanese and foreigners by the preservation of peace and their economic development.

The stimulus of the economic activities of Japanese and foreigners alike in both the southern and northern parts of Manchuria and Mongolia, based upon the principles of the Open Door and equal opportunity, we

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hold to be instrumental in accelerating the peaceful development of those regions and we should act in accordance with this principle in safeguarding our already acquired rights and interests and in solving pending questions.

I (the Premier) believe that it will be best to leave stabilization of the political situation in the Three Eastern Provinces in their own hands. Any plan which will respect our special position in Manchuria and Mongolia and devise measures for stabilizing the political situation there will receive the due assistance of the Japanese Government.

If the disturbances spread to Manchuria and Mongolia, and as a result, peace and order are disrupted, thereby menacing our special position and rights and interests in those regions, we must be determined to defend them, no matter whence the menace comes, and take proper steps without loss of time in order to preserve the regions as lands for peaceful habitation and development equally to Japanese and foreigners.

Either because of the presence of Japanese troops in Shantung or of the dissension among the Nationalists themselves the Nationalist advance collapsed before the conference was hardly over. In the meantime Japan on the one hand took up with the Mukden government the question of the railways as well as questions which her spokesman at Peking declared to be "nothing that remotely concerns or resembles the Twenty-one Demands or any demands," and on the other started negotiation in New York for a loan of $30,000,000 gold, evidently for carrying out projects in which some of the questions raised in Peking were involved.

If Japan had thought that she was going to deal with another Anfu Club, she must have been greatly disappointed. The Mukden government not only refused to entertain the proposals, but through its spokesman openly protested against approving the New York loan. In the meantime, as usual with such kind of aggression from Japan, the people throughout the country staged public demonstrations as protests. Even in Manchuria where the people had been less articulate, anti-Japanese agitation ran high. In the city of Mukden alone 40,000 people participated in a parade for the denunciation of the Japanese attempts. In the end Japan was compelled to mark time. The next few months only witnessed some outbursts of Japanese passion as indicated by the anti-Chinese riots in Korea in December and Japan's insistence upon the ratification of the draft agreement concerning through traffic between the Mukden-Hailung and South Manchurian Railway in April.

In the spring of 1928 the Nationalists again moved northward with Peking as the objective, and Japan as in the previous year despatched troops to Shantung and stationed them at points between Tsingtao

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and Tsinan. Into the details of the Tsinan Incident of May 4th which was a direct result of the presence of Japanese troops in Shantung we do not need to enter. Suffice it to say that as a result of that episode a twelve-mile zone was established by Japan along the Kiaochow-Tsinan Railway, through which no Chinese troops were allowed to pass.*

After a year's recuperation the Nationalists had not only healed the divisions among themselves but had also grown much in strength. In consequence the check they received in Shantung did not prevent them from pushing ahead, and within a fortnight the Peking region was threatened. It is difficult to tell whether Japan availed herself of the opportunity to offer her "due assistance" to the Mukden government for some "plan which will respect our special position in Manchuria and Mongolia and devise measures for stabilizing the political situation there." If she did, she must have failed, for on the 18th she sent a memorandum to the Mukden government and three principal commanders of the Nationalist army, in which she said in part:

The Japanese government attach the utmost importance to the maintenance of peace and order in Manchuria, and are prepared to do all they can, in order to prevent the occurrence of any such state of affairs as may disturb the peace and order, or constitute a probable cause of such disturbance.

Under these circumstances, should the disturbances develop further in the direction of Peking and Tientsin and the situation become so menacing as to threaten the peace and order of Manchuria, the Japanese government, on their part, may possibly be contrained to take appropriate and effective steps for the maintenance of peace and order in Manchuria.

The day previous she also handed to the representatives of the United States, Great Britain, France and Italy at Tokio the following statement:

Should the life and property of foreigners residing in Peking and Tientsin be endangered, the imperial government will not only undertake to protect Japanese residents, but will endeavor to assist in the protection of lives and properties of foreigners. Should Manchuria and Mongolia come to be involved in disturbance, the imperial government will prevent, as much as possible, defeated troops or those in pursuit of them, questioning not whether they are southern or northern troops,

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* In the winter of 1925 during the revolt of Kuo Sung-lin against the Mukden government a similar zone extending six miles on each side of the South Manchurian Railway was established by Japan in which both parties were warned not to carry on hostilities.

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from entering the territory, as such is necessary for the protection of the special position of the imperial government in Manchuria and Mongolia."

Following the foregoing statements Japan moved the headquarters of the Kwantung Army from the leased territory to Mukden.

On June 2nd Marshal Chang Tso-lin the head of the Mukden government ordered a general retreat of the Mukden army and left Peking for Manchuria himself. At half past five in the morning of the 4th, while his train passed under the bridge of the South Manchurian Railway outside of Mukden a mine exploded, destroying the bridge overhead and the cars in which the Marshal travelled, and inflicting upon him wounds, of which he died shortly afterwards.

The death of the Marshal, strange to say, did not "disturb the peace and order, or constitute a probable cause of such disturbance" in Manchuria as the friends of China feared and her enemies hoped. Instead, his son quietly assumed his mantle as the leader of the Mukden government and a new day seemed to dawn in which China's sovereign rights in Manchuria appeared likely to be more protected. It remained, however, for the rulers of Japan of the day to make the last attempt to turn back the hands of the clock. On the occasion of the new leader's decision to join the Nationalist government and bring the civil war to a close, warning against such a course was served to him. Either because of this measure of foreign intervention or because of more complicated internal politics the people of Manchuria, therefore, did not come to see the White Sun and the Blue Sky until the 29th of December.

The End

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